Austria ... Sch 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr 42	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 7.25	Lebanon ... L£ 8.00	Sweden ... SKr 8.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rgt 4.25	Taiwan ... NT$ 65
France ... FFr 5.00	Mexico ... Pes 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$12	Norway ... NKr 6.00	U.S.A. ... $1.00
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Union problems in West Germany's Silicon Valley, Page 15

World news | Business summary

US will discuss troop cuts in Spain

Spain obtained a commitment from the US to discuss phased cuts in the US military presence in the country. The agreement comes n year after Prime Minister Felipe Gonzalez said he would seek reductions at Spain's four US bases as part of a package aimed at gaining majority public acceptance for keeping the country in Nato.

At the end of two days of "exploratory" talks in Madrid, delegations from the two countries agreed to include cuts at US bases when they begin negotiations to renew their bilateral defence pact next year.

The outcome of the meeting is the most that Madrid could hope to obtain from Washington at present, since the US has resisted making any move on its bases until Spain's Nato status is settled in a referendum planned for next March.

Willoch survives vote

Norwegian Prime Minister Kaare Willoch survived the first of a series of parliamentary votes of confidence over government spending after he warned that his minority coalition could fall by Christmas unless high expenditure plans were shelved.

Gulf War bombing

The five-year-old Gulf War went into a fresh spiral of violence as Iran and Iraq bombed each other's territory and thousands of Iranian volunteers left for a possible new ground offensive.

Chile train raid

Six men and a woman armed with automatic weapons held up a train in a Chilean underground railway station in Santiago. They set off a bomb after herding passengers to safety and injured two policemen with gunfire.

Leader re-elected

Angola's ruling MPLA party re-elected José Eduardo dos Santos as party leader and head of state for a second five-year term.

Turkish pledge

Proposed charges against Turkey at the European Human Rights Commission were dropped in return for pledges from Ankara on torture and the state of emergency. This raised hopes of improved relations between Turkey and West Europe. Page 2

Curb on refugees

The Danish parliament passed a law curbing the rights of refugees seeking asylum. Under the law refugees can be expelled after two weeks without the right to a tribunal hearing if officials regard their case as groundless.

Walesa probe

The Polish Government said that investigations into the activities of Solidarity leader Lech Walesa posed serious obstacles to granting him a passport to travel abroad.

Soviets hold 12

Soviet police detained 12 people who tried to mark the 37th anniversary of the UN Declaration of Human Rights with n silent vigil in Moscow.

MEP resigns seat

Italian television presenter Enzo Tortora resigned his seat in the European Parliament and gave up his immunity from n 10-year prison sentence for drug and mafia offences in his home country. A member of Italy's Radical Party, he has proclaimed his innocence of the charges.

Drug ring 'smashed'

French police said they had smashed what they believe to be France's biggest ring of cocaine traffickers

UK set to clear new owner for Telegraph

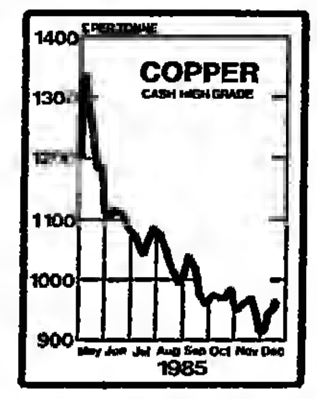
CANADIAN businessman Conrad Black is expected to get approval today from UK Trade and Industry Secretary Leon Brittan to take just under 51 per cent of the shares in the Daily Telegraph, Britain's largest circulation quality daily newspaper, which is facing serious financial difficulties. **New man on Fleet Street, Page 17**

TOKYO: Utilities were sought and prices firmed. The Nikkei average gained 52.72 to 12,850.95. **Page 38**

WALL STREET: The Dow Jones industrial average closed up 2.18 at 1,499.20, a new record. **Page 38**

LONDON: Stocks were uneasy on the spectre of lower oil prices and gilts eased. The FT Ordinary share index added 0.3 to 1,115.70 while the FT-SE 100 lost 2.7 to 1,389.5. **Page 38**

COPPER and aluminium led a rise in prices on the London Metal Exchange with sterling's fall the supporting factor. Cash high-grade copper, boosted by active forward buying, was up £13.50 a tonne at £964.25. **Commodities, Page 30**



DOLLAR was firm in London, closing at DM 2.539 (DM 2.535), SFr 2.118 (SFr 2.117) and FFr 7.75 (FFr 7.73). It was unchanged at Y203.55. On Bank of England figures the dollar's index rose to 127.7 from 127.4. **Page 31**

STERLING dropped 2.35 cents against the dollar in London to $1.435. It was also lower at DM 3.6425 (DM 3.6975), SFr 3.04 (SFr 3.0875), FFr 11.1225 (FFr 11.275) and Y292.0 (Y296.75). The pound's exchange rate index was down to 78.9 from 80.3. **Page 31**

GOLD rose 50 cents on the London bullion market to $318.25 but fell 10 cents in Zurich to $317.55. In New York the Comex February settlement was $321.20. **Page 30**

PLESSEY, UK telecommunications group, rejected the £1.18bn ($1.74bn) takeover bid by Britain's General Electric Company (GEC), but held out the possibility of talks about combining the group's telecommunications interests. **Page 23**

ARBED SAARSTAHL, the troubled West German steel producer, is to cut its workforce by about 3,000 by the end of 1987, according to Rainer Wickimayer, chairman of the Saarland regional parliament's steel committee.

PARIBAS, the French state-owned investment bank, seems likely to block a takeover bid by the AXA group, France's largest private insurance company, for the Providence-Secours group. **Page 17**

COMPAGNIE Parisienne de Réescompte, the highly profitable French money broker, will enlarge its shareholder structure through the sale of FFr 500m ($64.7m) in shares tomorrow. **Page 17**

PEUGEOT, the French car group, is seeking soft loans of FFr 500m ($64.3m) from the French Government to help finance an increased investment programme. **Page 17**

AMERICAN MOTORS, the US affiliate of the French Renault group, is discussing new arrangements with Japanese suppliers amid speculation it is aiming to launch a joint venture with a Far Eastern manufacturer. **Page 17**

Oil prices plunge as weak £ fuels UK tax-cut doubts

BY DOMINIC LAWSON, MICHAEL PROWSE AND PHILIP STEPHENS IN LONDON

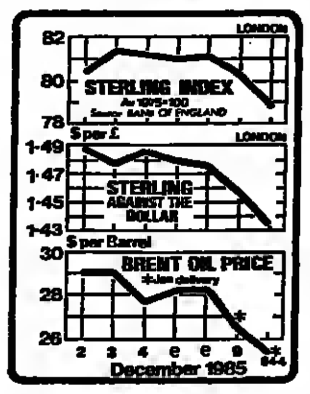
OIL PRICES, in both spot and futures markets and on both sides of the Atlantic, weakened again yesterday, continuing a two-day collapse which traders described as being of unprecedented proportions.

At the close of trading in London yesterday, e January cargo of Brent, the main North Sea crude, was offered at $24.20 n barrel, with no takers. On Monday, the January Brent price fell from $27.80 to $26.50. Two weeks ago, it traded over $30.

Sterling also fell again yesterday, in continuing reaction to the decision by the Organisation of Petroleum Exporting Countries (Opec) to seek n "fair share of the world oil market" even if this meant lower prices.

The sterling index, which measures its value against a basket of currencies, has fallen by 2.7 per cent in the past two days and closed last night at 78.9. The pound closed in London 2.35 cents lower at $1.4350 and slipped to a nine-month low against the D-Mark, finishing 5.50 pfennigs down at DM 3.6425.

The fall in oil prices – and thus potentially in the British Government's revenues – has also created uncertainty about the scope for tax cuts in next year's UK budget.



Mrs Margaret Thatcher, the British Prime Minister, meanwhile, ruled out an early cut in UK interest rates.

A London oil trader said yesterday: "There is a feeling of shell shock and bewilderment. There has never been anything like this before. Prices are falling in a straight line without finding buyers, and it is very hard to keep up with."

The price of Gulf crudes was stable, at levels well in excess of North Sea prices, suggesting that Japanese companies might soon take the highly unusual step of shipping North Sea oil to the Far East.

The British Government shows no signs of changing its policy of not controlling North Sea production. The operating cost of about 95 per cent of UK production is no more than $5 e barrel.

On the New York Mercantile Exchange (Nymex), all crude oil and product contracts closed "limit down" for the second day in succession. Under the rules of the exchange the oil can be traded only within a pre-agreed price range. Before this week, this rule had never been invoked.

On Monday, the crude oil contract fell by the maximum permissible level of $1 n barrel. Yesterday, in line with a pre-agreed formula, the downward limit was set at $1.50, and this was hit after a few hours trading involving 24m "paper barrels." Today tha limit will be $2.

Miss Rosemary McFadden, president of Nymex said yesterday: "This is such a dramatic reaction. A lot of people have been taken by surprise. We are very carefully monitoring the financial condition of people trading in our market, and we can take appropriate steps

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Editorial comment, Page 14; Lex, Page 16; oil prices, Page 30; money markets, Page 31

Westland suspends share trading as talks continue

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

SHARE DEALINGS in Westland, Britain's financially troubled helicopter manufacturer, were suspended on the London stock market yesterday at the company's request.

Westland said that the directors, concerned at the level of speculation over the company's affairs, had requested suspension pending submission of definitive recapitalisation proposals to the shareholders.

The suspension came as British Government ministers were in urgent discussions aimed at finding an all-European solution to Westland's problems which, over the past few months, have seen the market capitalisation of the group slide from more than £120m ($171m) to £36m when the shares were suspended at 60p yesterday morning.

Lazard Brothers, the UK merchant bank acting for Westland, said it was hoped that the group's full-year figures, together with details of the recapitilisation programme and of a new partner, could be announced before Christmas.

Last June, when Sir John Cuckney was appointed to take charge of the company's rescue, Westland said it was seeking an international partner as part of a restructuring plan. This would be designed to meet gaps in the company's workload and in its balance sheet.

Speculation on the company's future has been fuelled recently. The Westland board favours links with Sikorsky, the subsidiary of the US conglomerate United Technologies, with which negotiations are far advanced, but in the past two weeks three European helicopter companies have put forward alternative proposals with the backing of the British, French, West German and Italian defence ministries.

The European move – involving Aérospatiale of France, Agusta of Italy and Messerschmitt-Bölkow-Blohm of West Germany – has been encouraged by Mr Michael Heseltine, the British Defence Secretary, but greeted without enthusiasm by several of his Cabinet colleagues.

Mr Heseltine believes Westland's dilemma provides a unique opportunity for rationalising and strengthening the European helicopter industry against US competition. Some of his colleagues, however, particularly Mr Leon Brittan, the Trade and Industry Minister, would prefer to allow Westland freely to choose its preferred option.

Talks between Mr Heseltine and Mr Brittan as well as representatives of the Treasury and the Foreign Office are believed to have resulted in agreement that Mr Hesel-

Continued on Page 16

Thorn screen division goes to managers in £110m buy-out

BY RAYMOND SNODDY IN LONDON

THORN EMI, the British electronics and leisure group, yesterday sold its screen entertainment division to its management for £110m ($157.8m). The deal covers 106 cinemas, e library of 2,000 films and Elstree Studios, as well as Thorn film financing, production and distribution operations.

Thorn's management team was able to take control because of last-minute support from Mr Alan Bond, the Australian businessman who is chairman of Airship Industries, the British designer and manufacturer of airships.

Under the leadership of Mr Gary Dartnall, chairman and chief executive of Thorn EMI Screen Entertainment (TESE), the managers succeeded in the face of bids from Rank Organisation and e joint Heron International Cannon Group team.

Mr Bond, who is British-born, runs the Bond Corporation which has an annual turnover of A$2bn (US$1.36bn) and was the backer of Australia's successful challenge for the America's Cup in 1983. He decided in the past three days to invest about £15m for a 45 per cent equity stake in the new company, Screen Entertainment.

Last week, Rank and Heron/Cannon appeared to be favourites after Thorn EMI failed to respond to a £100m bid from the management team, which formally withdrew from the field.

Sir Graham Wilkins, chairman of Thorn EMI, yesterday described the deal as "a particularly satisfactory outcome, not only for Thorn EMI shareholders and the employees of TESE but also in respect of the company's important role in the film industry in Britain and internationally."

Thoro decided earlier this year that TESE's activities did not fit in with its future strategy and decided to sell.

Mr Bond, who has radio and television interests in Australia, said he was interested in the deal because he wanted to distribute films from the Screen Entertainment library in Australia.

In turn, he hoped the company's distribution network would handle the Australian film industry's growing output and present it to a wider public.

Mr David Puttnam, the Oscar-winning British producer who last week attacked what he felt was the monopolist implications of either Rank or Heron/Cannon taking control, last night welcomed the management buyout.

"It means we have three strong cinema circuits with strong management which will compete with each other. That is the most I hoped for," Mr Puttnam said.

Mr Dartnall will take n minimum of 10 per cent of the Screen Entertainment equity and will have options to increase his stake. Apart from Mr Bond's stake, the rest will go to clients of Bear Stearns, the U.S. securities firm, who have not yet been named.

Fiat in talks on Soviet engine factory

By Alan Friedman in Milan

FIAT, Italy's leading vehicles group, is in talks with Moscow about n contract to build a car engine factory in the Soviet Union which could have a value of about $1bn, according to Mr Nicolai Lunkov, the Soviet ambassador to Rome.

He told Italian journalists in Turin on Monday that he had met recently Mr Giovanni Agnelli, Fiat chairman, and Mr Cesare Romiti, Fiat group managing director. Fiat yesterday confirmed that negotiations with Moscow to build the car engine plant are under way. The Turin-based group would not, however, comment on the value of the order being discussed.

Mr Lunkov, who also spoke of large scale negotiations for industrial agreements with Italy's Olivetti (office automation) and Montedison (chemicals) groups, said that the total value of the business being discussed with Fiat would be larger than the contract to build a steel tube plant won last summer by Ital Impianti, the state-owned engineering group. The Ital Impianti order was worth $970m.

The Soviet ambassador's unusually detailed announcement caught Fiat and the other companies referred to by surprise. While Olivetti and Montedison each said they had a series of negotiations under way with Moscow, neither company said it expected an imminent contract signing.

Fiat, while declining to comment on the value of the proposed car engine plant, said: "We would not place in doubt that the declaration by Ambassador Lunkov is true." Fiat's coyness on the value of the contract stems from the fact that details still need to be worked out.

Since 1980 Soviet orders for the Fiat Group, which includes earth-moving equipment, tractors and other agricultural machinery, machine tools and robotised welding assembly lines for the Soviet Union's Zaz car company, have totalled around $500m.

Last summer's $970m Ital Impianti order was one of the most significant awarded by Moscow to an Italian company. A second contract of similar size is also being discussed with Ital Impianti.

The Ital Impianti order, together with a new Fiat contract, would go n long way towards reducing complaints from the Italian Government that its bilateral trade deficit with Moscow was getting too large. The trade deficit last year totalled L4,300bn ($2.5bn).

Banks ready to declare support for Baker plan

BY PETER MONTAGNON IN LONDON

INTERNATIONAL banks are on the verge of declaring publicly their support for the US initiative on easing the developing-country debt crisis launched by Mr James Baker, Treasury Secretary, in Seoul last October.

Commitments are likely to start flowing over the coming days and weeks, possibly even before the deadline of December 15 set by the Treasury, Mr William Rhodes, senior vice president of Citibank, said in London yesterday.

First loans under the plan could be arranged as early as the first half of next year, he said, adding that Ecuador and Argentina now seemed likely to be early beneficiaries.

Public support by banks will give new momentum to the plan which calls them to pledge new loans of $20bn over the next three years to the most heavily indebted countries. Mr Baker had asked for the commitments by mid-month to coincide with a meeting of major Latin American debtor governments scheduled for next week in Montevideo, Uruguay.

Mr Rhodes, who chairs bank debt negotiating committees for five major Latin debtors, said that although commitments were imminent it was not certain whether they would all come by this date. "A couple of days won't make much difference," he said.

The commitments are expected to flow from national groups of banks to the International Monetary Fund and World Bank, which is also to step up its lending under the plan. Separately, Mr Herve de Carmoy, chief executive of Midland Bank, said UK banks were likely to make their commitments "shortly."

However, bankers stress that commitments at this stage are likely to be general statements of support conditional on other parties involved also playing their part.

Speaking earlier to a banking conference organised by the Financial Times, Mr Rhodes said that industrial governments must do more to match the multi-year reschedulings now being arranged by commercial banks and to maintain export credit cover for countries that have rescheduled their debts.

Also, regulatory authorities responsible for supervising national banking systems should respond more quickly in upgrading the debt of countries that are performing

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FT banking conference, Page 9

South Africa yesterday extended its four-month freeze on foreign debt repayments until the end of March and remained firm in its rejection of requests for exemption, "in view of continuing pressure on the foreign exchange markets." Page 16

Texaco strengthens takeover defence

BY TERRY DODSWORTH IN NEW YORK

TEXACO, the US oil group whose share price has fallen sharply in the wake of a contested $10.5bn damages award, moved yesterday to protect itself from the threat of a hostile takeover bid by adopting an exceptionally strong "poison pill" defence mechanism.

The company said that the plan was necessary to "protect the interests of its stockholders by assuring the inherent values of the company are preserved." It added that once its litigation was "satisfactorily resolved," it would cancel the defensive device by redeeming the rights being offered under the plan for a nominal price.

The announcement came only hours before a court in Houston was due to rule on an appeal by Texaco against the damages award, which arose out of charges by the Pennzoil energy group that Texaco had improperly gained control of Getty Oil. Since the award, Texaco's share price has fallen by a fifth. At 3pm yesterday it was $⅛ higher at $31⅞.

The poison pill is similar to several that have been introduced by a number of well-known US companies over the last two years, including Colgate-Palmolive, RCA and McDonald's. Shareholders are to be given rights to acquire preferred stock, which would only be triggered in the event of a merger, or the acquisition of more than 20 per cent of the group.

Once these trigger levels had been passed, shareholders would be able to buy shares in the acquiring group at a heavy discount, thus diluting the equity of the predator.

Not all poison pills have proved effective in the past, notably at Crown Zellerbach, the forest products company where Sir James Goldsmith, the Anglo-French financier, recently gained control.

CONTENTS

Turkish-W European relations set for far-reaching changes

BY DAVID BARCHARD IN ANKARA

FAR-REACHING changes in the troubled Turkish-West European relationship may be on the way, if the friendly settlement announced yesterday between Turkey and the five countries which had heen planning to prosecute it at the European Commission on Human Rights, proves durable.

Western diplomats here regard the agreement as likely to lead to the unblocking of several disputes.

This line has heen pressed particularly strongly by the Dutch Government—one of the five original prosecuting countries, whicb is understood to have mediated on Turkey's behalf with the hardliners, notably the Danish Government.

"If it is really dona well and properly," said one Western diplomat, "the agreement is a major step in the right direction." Turkey has epparently agreed to work on an amnesty for political prisoners, though up until now, the Government has denied they existed.

It will also submit secret reports on buman rights conditions in jails and detention centres to the Commission and three meetings with officials will be beld during the first half of 1986. The Turkish Foreign Ministry welcomed the settlement, hut seems to have tried to play down the apparent concessions involved.

It is known to feel that the prosecution was politically motivated and thet the governments involved have abandoned it largely because their chances of winning the case were slim.

It is being stressed here that although the parliament will work on an amnesty Bill, there is no guarantee that one will actually be passed.

Major interest here centres on the outcome of several controversial trials. One of the most important of these, that of 25 Istanbul intellectuals and professionals, wbo have so far served three years of jail sentences of between eight and five years, is due to have its final hearing next week. The prisoners, all founder-members of a peace movement, are accused of subversive activities.

The outcome of several other trials, also not mentioned in the agreement, will also he monitored carefully. These include a mass trial of left-wing trade unionists in Istanbul accused of trying to overthrow the constitution, end of intellectuels who last year petitioned President Kenan Evren for greater liberalism.

These cases formed the main plank of a recent report approved in October by the European Parliament, declining to restore full inter-parliamentary relations with Turkey.

Generally speaking, Turks view foreign criticism of their buman rigbts record as interference in the country's internal affairs. There is little or no press interest in buman rights cases, though the main opposition party has recently been attecking the government on the issue of torture.

Norway Government beats spending confidence vote

NORWAY'S Prime Minister Mr Kaare Willoch yesterday survived the first of a series of parliamentary tests over government spending after a warning that his minority coalition could fall by Christmas unless high expenditure plans were shelved, Reuter reports.

Mr Willoch forced an anti-tax party to back down yesterday over its demand that the share of lottery revenues for the country's sports organisations be increased.

He sought and won a vote nf confidence for his three-party, centre-right coalition over the issue by 58 votes to 56 after threatening to resign and band power to the opposition if his budget is thrown out.

He had threatened to resign saying his government would rather fall than approve the measure.

The government faces some 10 parliamentary tests of confidence on Tuesday, when the Finance Minister Mr Rolf Presthus, will try to have a 1986 revisad budget approved hy Parliament.

French current account surplus up

FRANCE showed a provisional seasonally - adjusted current account payments surplus of FFrs 1.6bn (£1.1hn) for October, up from a revised FFr 1.1bn surplus in September, the Finance Ministry said, Reuter reports.

The cumulative adjusted current account deficit for the first 10 months of the year narrowed to a provisional FFr 0.1bn from a FFr 7.2bn deficit in the same period of 1984.

The unadjusted trade deficit, calculated according to current account criteria, fell to FFr 1.3hn in October from a revised deficit of FFr 5.2bn in September, the ministry said.

Buchenwald meeting

Justice officials from East and West Germany met yesterday at the former Bucbenwald Concentration Camp in East Germany to gather evidence in one of the most remarkable of post-World War II German trials, Leslie Colitt reports.

The trial began 12 days ago in Krefeld, West Germany, of Mr Wolfgang Otto, a former ex-SS execution registrar at Bucbenwald.

The 74-year-old retired teacber has denied complicity in the murder 41 years ago of Ernst Thaelmann, the legendary pre-war German Communist leader.

Immigrants poll

Unemployed immigrants should ba sent back to their countries of origin, according to 43 per cent of a sample of Frencb peopla questioned on immigration in a poll publisbed in Figaro yesterday, AP reports.

Tbe figure was 3 per cent less than a year ago, and 53 per cent said they believed immigrants legally installed in France had the right to remain.

Sakharov film

Mrs Yelena Bonner, wife of the Soviet dissident Andrei Sakharov, is outraged over a secretly-mede Soviet film taken in Gorky showing her and her busband, her son-in-law said, Reuter reports.

The film purportsa to show Dr Sakharov criticising US Star Wars space defence plans in a discussion with a doctor, the West German newspaper, Bild, said.

David Buchan and Aleksandar Lebl report on a new economic era

End of term in embattled Belgrade

THERE IS e definite end-of-term feeling in Belgrade at present, although no ona is actually throwing caps in the eir. The first half of next year will see both the advant of a new "head prefect," or Prima Minister, and the departure of a stern "schoolmaster," the International Monetary Fund, wbich has supervised the Yugoslav economy for nearly six years.

After a rocky year that has seen the hard currency current account surplus fall by a third to $408m in the first nine months and inflation hit a record 80 per cent, many Yugoslavs are wondering whether there are not different and better policies with which to boost growth and curb inflation in 1986.

At the sama time, most Yugoslavs do not deny the positiva achievements of Prima Minister Milka Planinc and her IMF-backed policies. Tbe current account bas swung from a substantial deficit of $1.6bn in 1982, tbe year she took office, into surplus and stayed in the hlack for the past three years.

The surplus is of course not enough to service the country's $18bn debt without rescheduling. But with IMF backing, Yugoslavia has obtained relief np to 1989 on debt payments to Western commercial banks, and is rescbeduling, without too mucb argument, debts to Western governments year-to-year.

Meanwhile, Mrs Planinc bas done her hit to pnt the country's financial bouse in better order. Her efforts culminated in parliamentary approval last week of three new laws governing trade and debt.

The main aim of these laws is to forcibly recreate the foreign exchange market that collapsed during the financial crisis in the late 1970s. If some 90 implementing amendments are passed in time to give the new laws effect, Yugoslav exporters from January 1 will heve to surrendar 100 per cent of their foreign exchange earnings to banks, which will sell the proceeds onto the foreign exchange market.

The existing right of companies to retain around 40 per cent of their export earnings will disappear, as will their foreign exchange bank accounts.

In theory, companies will have free access to the foreign exchange market when they want to import, but in practice, this access will be heavily regulated by a new system of import rights. The rights will be calculated for companiea by their banks on the basis of what goods are to be imported and the past export/import performance of the companies themselves. Federal approval will be required for any new foreign borrowing.

Sceptics, and they include the IMF, fear the new laws may rob exporters of incentive and create e less flexible allocation of scarce foreign exchange than the old semi-legal "grey market" in foreign exchange between companies.

Perhaps the main achievement is political. The new laws uphold that fragile Yugoslav concept of a national market, and show that political heads in the country's eight republics and provinces can ba banged together to produce consensus.

If the new laws take hold—and are not mired in endless

Mrs Milka Planinc—putting the house in better order

bickering about their implementation—economic growth in 1986 and beyond may be more soundly based, and it is faster growth that virtually all Yngoslavs now say they want.

Cuts in domestic demand of 2 per cent in 1982, 5 per cent in 1983, 3 per cent last year and 10 per cent in the first ten months of this year beve caused rising discontent and a sudden 40-50 per cent increase in strikes this year.

Growth in the troubled export sector will probably not be enough to increase gross national product hy more than 1 per cent this year.

The great paradox—and failure of the IMF strategy, its Yugoslev critics say—is that notwithstanding the cuts in domestic demand and ever tighter monetary policy, inflation has soared.

The explanation is that Yugoslav companies bypass banks by going into debt with each other, and individnal Yugoslavs have sonrces of income and foreign exchange (from tourism and remittances) over which the Belgrade authorities have little or no control.

Few in authority in Belgrade can change these facts of Yugoslav life so there is a growing mood to chenge the inflation strategy instead.

The Planinc Government has never liked the IMF's insistence that interest rates sbould match inflation. It is now bowing to the popular Yugoslav view that high interest rates are an engine, rather than a reflection, of high inflation.

Mr Borisav Srebric, a vice premier responsible for the economy, said Yugoslavia would be pressing in talks with the IMF this week for all short-term interest rates to be de-coupled from the inflation rate.

Whether it can persuede the IMF or not becomes increasingly irrelevant, as next May approaches. This is when the IMF standby programme ends and the fixed four-year term of the Planinc Government runs out.

Tbe person tipped to succeed Mrs Planinc is Mr Branko Mikulic, a Bosnian who made his name pouring investment into Sarajevo for the 1984 Winter Olympics. His republic is noted for "hands-on" economic management by its politicians, and the omens are for a sharp changa in economic policy next year.

Portugal Government faces poll test

BY DIANA SMITH IN LISBON

SOME 7.6m Portuguese voters will this Sunday elect their municipal and borough representatives for the next three years.

The 1985 local elections are particularly important. They come on the eve of eccession to the European Community which will provide financing for major, long-delayed improvements to local infrastructures, industry and agriculture.

Tbough local elections traditionally attract a smaller turnont than legislative or presidential polls, the results are seen as a popularity test for a government.

The month-old minority Social Democrat administration of Prof Anibal Cavaco Silva now faces its first major trial by the electorate.

In many constituencies in the south, Social Democrat and Socialist municipal candidates have teamed up, hoping to oust solidly-entrenched Communist locel governments which, despite the anti-EEC posture of their party, are understood to bave submitted many projects for EEC funds.

Where they run on their own, the Socialists hope to regain some of the ground sacrificed through a humiliating loss of over 1m votes in the October legislative elections, when the Democratic Renewal Party (PRD) sprang from nowhere to take almost 18 per cent of the vote et the Socialists' expense.

PRD leaders hope for at least 6 per cent of the vote. The Socialists want to rise above the 21 per cent they scored in October—their lowest share ever of the polls.

Obstacles to Walesa passport

The Polish Government said yesterday that investigation into the ectivities of Mr Lech Walesa, leader of the hanned Solidarity union movement, posed serious obstacles to granting him e passport to travel abroad, Reuter reports.

Nor would the authorities guarantee that Mr Walesa could return to Poland if he left the country as such assurances were never given to anyone, Mr Jerzy Urban, the Government spokesman, said.

Mr Walesa is under investigation for his alleged involvement in planning a strike

New hurdle for Italy's finance Bill

By James Buxton in Rome

ITALY'S finance Bill and budget for 1986 which are aimed at increasing government revenue by raising charges for state-provided services and et holding down the public sector borrowing requirement, yesterday began whet promised to be the difficult process of obtaining the approval of the Chamber of Deputies, the lower house of Parliament.

The Finance Bill was finally approved by the Senate, the upper house, late on Monday night, with its outlines more or less intact, despite a parliamentary battle that lasted more than a month.

The finance Bill should by law be approved by the end of the year, but there are serious doubts as to whether this will be possible this year.

This is the cause of the few days of parliamentary debating time left and the opposition to many provisions of the finance Bill both from the Communist Party, and from within parties who form Mr Bettino Craxi's five party coalition.

If the finance Bill is not approved by the end of the year, the Government will be financed on a rigid month-by-month system based on the previous year's expenditure figures.

The finance Bill is aimed at bolding the public sector borrowing requirement for 1986 at L110,000bn (£43bn). The deficit for this year is expected to come to L106,700bn, so that allowing for inflation running at nearly 9 per cent a year, next year's deficit would, if achieved, represent a decline in real terms.

Meese warns on terrorists

THE US Attorney-General, Mr Edwin Meese, yesterday called for increased co-operation and more concerted action to fight international terrorism, Patrick Blum reports from Vienna.

Mr Meese said that the growth of terrorism posed a challenga to Western democracies but warned governments against engaging in "similar activities."

"The sad reality is that terrorist groups in Africa, in the Middle East, in Europe and in Central America are in common cause against Western society," he declared.

Science ministers agree 5-year research budget

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Community is to spend Ecu 145m ($126m) over the next five years on research programmes into environmental protection and basic raw materials, science ministers meeting in Brussels agreed yesterday.

The figure was reached after France, West Germany and the UK between them had whittled down Commission proposals for spending Ecu 210m. The discussion showed that the feeling of co-operative endeavour which had been evident at the recent Luxembourg summit does not extend to expenditure.

The three economy-minded countries are all net contributors to the Community budget.

The desire to scrutinise closely all new spending was also manifest in discussion on the budgetary problems of the Joint Research Centre, a Community facility used mainly for nuclear research at sites throughout Italy, Germany, Belgium and the Netherlands.

The centre, on an Ecu 700m budget for 1984–87, complains that it will run out of funds because of rising costs unless an extra Ecu 87m is found. The Commission's way out of the problem, greeted with scepticism by ministers, who will look at the situation again later, is to bring forward a new programme and make some operating economies.

Of the two new programmes, that on the environment will run from 1986 to 1990. In addition to sectors such as climatology and air pollution, it will initiate work on how to prevent disasters like Bhopal. It will cost Ecu 75m.

The raw materials programme will last a year less and cost Ecu 70m. It is designed to define more closely the properties of materials

Date set for appeal by leaders of Solidarity

THE POLISH Supreme Court will hear an appeal next month by three Solidarity leaders who were sentenced to prison after being convicted of inciting public unrest and illegal union activities, AP reports from Warsaw.

The Government spokesman told a Warsaw news conference that the appeal hearing for Adam Michnik, Wladyslaw Frasyniuk and Bogdan Lis would take place on January 14 and 15 before the Supreme Court in Warsaw.

Lis was sentenced to 2½ years in prison, Michnik to three years and Frasyniuk to 3½ years by a provincial court in Gdansk in June after being convicted of inciting unrest by calling for a protest strike over food price rises last February. The strike was subsequently called off.

The Supreme Court can overturn the convictions or order that the sentences be reduced. It can also uphold the original verdict or order the sentences to be increased.

The verdicts were criticised by western political leaders and the Pope, a native of Poland.

The trial was one of the most important political trials in Poland since the December 1981 martial law crackdown that suppressed the Solidarity free trade union. It was marked by sharp clashes between the three defendants and the judge.

Euro-MP resigns to face jail

MR ENZO TORTORA, an Italian Member of the European parliament who was convicted for belonging to an underworld organisation, resigned his seat yesterday, saying: "Today I am choosing to go to prison," AP reports from Strasbourg.

Mr Tortora, an Italian television personality, was sentenced to a 10-year jail term earlier this year as a member of the Naples "Nuova Camorra Organizzata." He is also facing prosecution for his behaviour during the trial.

In announcing his resignation on the floor of the parliament, Mr Tortora said: "My departure is in the name of consistency." He has maintained his innocence and said he is a "scapegoat" of Italian justice.

BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co.	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Amro Bank	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Citibank NA	11½%	Royal Trust Co. Canada	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
§ Demand dep. 8%. Mortgage 13%.

MEPs waver over EEC reforms

By Quentin Peel

MEMBERS OF the European Parliament were wavering yesterday in their erstwhile determination to reject the modest package of EEC reforms approved at last week's Luxembourg summit, seeking instead to postpone a clash with the member-states.

The outcome of a vote to be held today on the measures, intended to strengthen and streamline the Community institution including the Parliament, was last night too close to call.

The MEPs still appear set, however, to challenge the Council of Ministers over the EEC budget for 1986. They want more money for social and regional spending, and more for the two new member states, Spain and Portugal, after they join on January 1.

Both key issues will come to a head today, when the MEPs vote on the Luxembourg reform package, and meet the Budget Ministers for last-minute negotiations over their spending plans.

Outright rejection of the reforms could effectively block the whole effort to amend the EEC constitution—the Treaty of Rome—after three months' laborous negotiations by top national officials, Foreign Ministers, and the EEC leaders themselves at their summit last week.

Italy has linked its acceptance of the package to a favourable reaction from its own and the European Parliaments and no treaty amendment is possible without the unanimous agreement of all member-states.

At the other end of the spectrum, the Danish Parliament is threatening to reject any package which erodes national sovereignty.

Yesterday, several political groups in the European Parliament appeared intent to postpone a clash with their governments on the issue, at least until after next week's meeting of Foreign Ministers seeks to tie up the loose ends.

The institutional affairs committee of the Parliament has attacked the limited powers intended for the Strasbourg assembly, which would give them a chance to amend EEC legislation in a few specific areas, while leaving the final say with the Council of Ministers. The MEPs want full powers of joint decision-making.

The committee has called for outright rejection of the package, but amendments tabled by the powerful Christian Democrats group, the British Conservatives and French Gaullists would temper the motion.

One possible protest considered by the most enthusiastic reformers would be to reject the 1986 budget, but that overt linkage was being ruled out yesterday.

Nonetheless, the MEPs are fighting to increase the Ecu 32.7bn (£20.3bn) draft budget approved by the Ministers by adding more than Ecu 700m, mainly for social and regional spending.

The Budget Ministers meet today for a conciliation process with the Parliament, and the MEPs are supposed to vote on the final document on Thursday.

If they reject the Council's efforts to control spending, the EEC could end up once again with a disputed budget.

The other danger would be a failure by all 10 national parliaments to approve an increase in EEC contributions before January 1, when they are supposed to go up from the present 1 per cent VAT ceiling to 1.4 per cent. Several have yet to ratify the agreement.

Spanish tycoon to stand trial for fraud

THE TYCOON who founded what was once Spain's largest private business group, is to stand trial on charges of fraud in connection with his former Rumasa business empire, Reuter reports from Madrid.

Judge Luis Lerga ruled yesterday that Mr Jose Maria Ruiz Mateos, 54, would face charges of fraud. Mr Ruiz Mateos was extradited from West Germany on November 30 and sent to a high security jail outside Madrid.

He was held on two charges of accounting fraud, the only offence for which he can be tried under the extradition order. These carry a maximum six-year sentence. Mr Ruiz Mateos has denied the charges.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1985.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Rupert Cornwell interviews West Germany's Finance Minister

Stoltenberg is not for turning

"WE ARE strengthening our growth, and we're going to raise our imports considerably. Yes, we're conscious of just how important the German economy is.

"But we don't want to over-reach ourselves, and be pushed into a role which is beyond our ability to fulfil."

Thus, in a nutshell, the present philosophy of Mr Gerhard Stoltenberg, the man who presides over the most enviable economic performance of any leading industrialised nation — indeed, with little doubt, of any nation anywhere. Not surprisingly, he intends to keep it that way.

Mr Stoltenberg, cool and unflappable, has been West Germany's Finance Minister since the Centre Right coalition of Chancellor Helmut Kohl came to power in October 1982.

Since then the country has achieved steady, if unspectacular expansion, cut inflation and the budget deficit to next to nothing, and built up trade and current account surpluses unprecedented in its history.

At home, opinion polls show the policies and their author are increasingly appreciated, as the rewards of virtue—an estimated 3 per cent rise in real private consumption in 1986 — percolate through to individual pockets, nicely in time for the general election early the following year.

Abroad, though, feelings are more mixed. Success, as other Bonn Finance Ministers have found out, can be too much of a good thing.

Already the "locomotive theory" of yester-year is being trundled out of the sidings again—whereby West Germany and Japan should now haul the world economy forward, as the US pauses to bring its trade and budget deficit under control.

But the "locomotive" enthusiasts will be disappointed. For as Mr Stoltenberg had made repeatedly clear, this gentleman is most definitely not for turning.

Part of the explanation lies in the unhappy experience of West Germany the last time it agreed to such a role, in 1978.

Then, it reaped little in terms of growth and much in terms of extra inflation: "We still haven't forgotten that. Nothing good came out of it for us, nor for anyone else."

But Mr Stoltenberg also feels that Bonn is already doing its bit. "Growth next year will be 3, perhaps 3.5 per cent in real terms.

"Many experts are even more optimistic—and if they're right, then we'll have the fastest growth in West Europe, faster perhaps than the US," he says. "That would be a very good West German contribution to the world economy too."

The corollary is crystal clear. For the umpteenth time, Mr Stoltenburg rejected any "artificial" stimulus to the economy.

He even rejected the combination of the staggered two-stage DM 20bn (£5bn) of tax cuts due in 1986 and 1988, as many outside experts advocate.

"The priority of our tax and fiscal policy," he insists, "is low interest rates and a stable monetary environment, because that's the best way of getting a sustained, long upswing."

Hence, the careful series of tax cuts, signposted into the future: DM 11bn next year, DM 9bn in 1988, and sometime thereafter a simplification of income and corporation tax which could be worth, in net terms, as much again.

But what of those two issues of more immediate concern to a foreign audience; those surpluses, and a D-mark exchange rate which, despite a 14 per cent appreciation against the dollar since the "Big Five" meeting in New York of September 22, remains remarkably stable against other EMS currencies, in defiance of the so-called "fundamentals"?

Mr Stoltenburg is little moved by criticism, voiced by ex-Chancellor Helmut Schmidt among others, that the remorseless increases in trade and current surpluses will simply invite trouble and criticism abroad.

Mr Gerhard Stoltenberg

"The forecasts are that we'll have a current surplus next year of between $15bn and $20bn, around 2 per cent of GNP; and certainly, at the start, a cautious budgetary policy kept domestic demand down. That was unavoidable."

But next year, the rise in private consumption will generate a substantial rise in imports, "because consumer goods are where imports have the biggest share of the market."

"So we're not looking to steadily growing surpluses over a period of several years." Nor, he claims, have Bonn's trading partners, in particular the US, expressed irritation about the way things are going.

Rather, Mr Stoltenberg emphasises that in the longer term a more competitive exchange rate for the dollar against the D-mark and other currencies must depend on the US acting to get its budget deficit, and hence interest rates down.

"There are no secret central bank talks over interest rates, but dollar rates are still too high, despite a small recent decline.

"If the politicians in Washington take the necessary decisions on the budget, then you have the chance of lower interest rates and a stable realistic exchange rate for the dollar. Then the US foreign trade balance can improve."

But what of other countries, who complain that an undervalued mark is permitting Bonn to accumulate such surpluses (the trade balance might be up to $40bn in the black in 1986, according to some estimates) at their expense?

The Finance Minister concedes that of late, the "fundamental" virtues of low inflation (expected to be 2 per cent or less next year) and a strong external position have been having less impact than they might.

But although he will not be drawn into direct speculation on the mark's future exchange rate, the underlying message is clear: that an appreciation would not be looked on unkindly in Bonn.

"In the longer term, consideration of the 'fundamentals' will play a bigger part, I am convinced. The mark is highly rated

Mr Stoltenberg's unrepentant orthodoxy is equally plain on another vexed topic: that of the future of European monetary co-operation in general, and the role of the European Currency Unit (ECU) in particular.

The first thing to be done, he argues, is to implement the existing provisions of the Treaty of Rome and remove controls on capital movement which Bonn has long been pressing.

"We feel that's more important than talking about the future of the ECU as a reserve currency. How can you propose that, when free capital movement among all member-states is still not possible?"

Gaullists favour cross-border share links

By David Marsh in Paris

FRANCE'S neo-Gaullist RPR opposition party has come out in favour of allowing big nationalised companies to cement international accords in areas like telecommunications through cross-shareholding deals with other European groups.

Mr Michel Noir, the RPR's industrial spokesman, tipped as a candidate for Industry Minister in the event of a big Opposition victory in the general election next March, also moved yesterday to calm fears among nationalised groups that progressive denationalisation could weaken their ability to raise fresh capital.

Industrialists say heavy sales on the bourse of the state's stakes in French industry and banking could so swamp the market with paper that the groups would be unable to raise urgently-needed new capital through rights issues.

Mr Noir told journalists yesterday that the RPR would take a "pragmatic" line over denationalisation. It would allow the companies themselves to work out the best way of bringing in private capital into their shareholding structure.

Mr Noir said nationalised companies were generally under-capitalised compared with their US, German or Japanese competitors. They would be able to give priority if necessary to raising fresh capital rather than simply selling off state stakes.

He said the French financial markets would probably be able to absorb issues of more than FFr 20bn (£1.86m) a year for both types of transaction.

Mr Noir said he would be in favour of cross-shareholding accords between companies such as CGE and Siemens.

Sudan cancels loan agreement with IMF

By John Murray Brown in Khartoum

SUDAN'S loan agreements with the World Bank and two leading Arab funds, one Saudi and one Kuwaiti, have been cancelled, according to Mr Abdel Magied, the Finance Minister.

Mr Magied quoted in the local press yesterday, said "negotiations with the World Bank in Washington had stopped as a result of last week's Cabinet meeting" in which economic reforms agreed with the IMF were categorically rejected by ministers. Mr Magied's statement was confirmed by the World Bank representative in Khartoum.

Agreement with the IMF is a necessary first step to paving the way for a rescheduling of Sudan's $9bn external debt to governments and commercial banks. However, IMF officials are said to be adamant that Sudan's arrears with the Fund, currently exceeding $180m, should first be settled before a rescheduling.

Meanwhile, delegates of the Arab funds left Khartoum last week without reaching agreement on a possible $700m loan, unhappy over the Cabinet's decision. The Saudis, Sudan's largest source of bilateral finance, are said to be reluctant to act without IMF approval. Saudi Arabia is a board member of the IMF.

With the debt crisis continuing, a meeting set for January 2 for all the Arab funds looks likely to be postponed.

INDIAN PREMIER ASKS WHAT USE IS MADE OF ENRICHED URANIUM OUTPUT

Gandhi challenges Zia over nuclear bomb

BY JOHN ELLIOTT IN NEW DELHI

PAKISTAN was challenged yesterday by Mr Rajiv Gandhi, the Indian Prime Minister, to convince him it was not making a nuclear bomb by providing details of the use it is making of the enriched uranium being produced in the country.

Mr Gandhi issued this challenge a week before President Zia of Pakistan, who is now visiting Sri Lanka, meets him in New Delhi next Tuesday for what are expected to be the most intensive talks yet to take place between the two leaders.

He coupled it with remarks which dramatically illustrated the change in India's foreign policy towards its neighbours since Mr Gandhi succeeded his mother, Mrs Indira Gandhi, 13 months ago.

"Our basic objective is not to be a dominant power in the region. Our basic objective is to be friends with Pakistan, to reduce tension in the area so that both our countries can get down to working for our peoples instead of building up vast armies that face each other across the border. I think we are making some progress on that," he declared at a meeting with foreign journalists.

Asked how Pakistan could convince him it was not making a bomb, Mr Gandhi said: "We have been talking about this and may be the first thing they could convince us about is where all the enriched uranium is going because they don't seem to have any ostensible use for it. That is really the starting point. If we knew where it has gone, there is no other problem."

This is the first time that India has named a specific way in which the dispute between the two countries over nuclear weapons could advance. The remark could embarrass Pakistan which is widely believed to be developing a bomb and can be seen as a response to five proposals made by President Zia for both countries to sign a non-proliferation treaty or agree to international safeguards or mutual inspections. India is opposed

Mr Gandhi rejected an accusation made by President Zia last month that India had the capability to drop a nuclear bomb on Pakistan. "We don't have a bomb," he declared.

He hoped India would not have to decide whether to produce a bomb in response to Pakistan.

Mr Gandhi also announced that he and President Ershad of Bangladesh had agreed to tackle the problems of insurgencies among tribal communities of north east India on the Bangladesh border. India was also prepared for the first time to hold joint talks with both Bangladesh and Nepal on a long-standing dispute concerning rights to the waters of the River Ganges.

Mr Gandhi: "We don't have a bomb"

Britain has taken a "step backwards" in its measures against extremist Sikhs operating in the UK by giving citizenship to a man objected to by India, Mr Rajiv Gandhi, Indian Prime Minister, said yesterday.

Mr Gandhi's statement has caused concern in the British Government which has been trying to improve diplomatic and commercial relationships with India by taking a tougher line over the activities of the extremists. New initiatives were agreed when Mr Gandhi visited London two months ago. Major orders from the UK were delayed earlier this year because of India's unhappiness about the Sikhs' activities.

The person is understood to be Mr Gurmej Singh Gill, who is called prime minister of the Sikhs' London-based "Government of Khalistan," the name given by extremist Sikhs to the independent state of Punjab they want created in northern India.

Central bank warns on Pakistan economy

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN is living beyond its means and the state of the economy appears to be worsening, the country's central bank has warned in its annual report.

Pointing to the Government's budget deficit, the widening gap in the balance of payments and the substantial imbalance between investment and savings, the bank says that the failure to increase export earnings is a matter for serious concern.

The bank identifies the key domestic culprit as the Government's budget deficit, which rose 40.8 per cent in the year to June, 1985, to an all-time high of Rs 38.3bn (£1.6bn). The rise follows a shortfall in revenues owing to reduced imports after new customs duties were imposed and a substantial increase in unproductive expenditure, mainly in the state sector.

The Government resorted to deficit financing of Rs 18.3bn —the highest in the nation's history. Mr Mahbubul Haq, the new Finance Minister, has promised "zero deficit financing" in 1985-86 in view of public protest at its adverse effects on the economy.

"The foreign exchange reserves bore the brunt of higher budgetary deficit financing," says the bank's report. The rate of monetary expansion however was maintained at 11.8 per cent—the same as in the previous year. The state bank applied credit restrictions on commercial bank lending to private business and the state sector, in order to curb excessive expansion.

The bank also focusses its criticism on the low ratio of domestic savings, which at 3.9 per cent of gross domestic product declined from 4.3 per cent in the previous year. Savings in the state sector declined to Rs 1.9bn in 1984-85, from Rs 8.6bn in the previous year.

Gross total investment in the economy, at current prices, rose 15.2 per cent, an improvement on the 10 per cent rise in the previous year. Agriculture showed 9.9 per cent growth from a 6.1 per cent decline

The good performance was due to a bumper cotton crop which was more than double the previous year. Wheat production was up by 8.3 per cent.

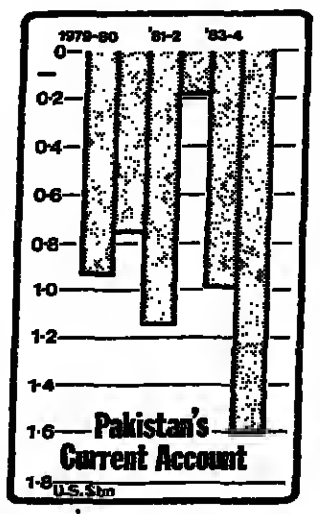
Industrial production rose by 8.1 per cent. "But for widespread power cuts and shortages of natural gas in certain parts of the country, growth of industrial production would have been significantly higher," the report notes. The projection for next year is a rise of 8.7 per cent.

The bank is particularly worried about the failure to capitalise on this improvement by exporting surplus production. Merchandise exports at $2.4bn were 7.3 per cent lower than last year, as the international market prices of rice, cotton fabrics, a wide range of manufactured goods and carpets fell sharply. Imports were down 17 per cent to $5.9bn.

The central bank points out to an "intensified pressure" on the balance of payments. The current account deficit rose sharply from $997m in 1983-84 to $1.6bn in 1984-85, mainly because of reduced exports and smaller remittances from Pakistani workers abroad. Foreign exchange reserves declined to $1.2bn in June, 1985 from $2.5bn a year earlier, and have now fallen to $700m.

There are no prospects of an increase in remittances, which are declining as Pakistanis have started to return from the Middle East, the bank warns. "The solution lies in stepping up merchandise exports," it says, to replace the remittances, to meet the needs of a growing economy and to help meet annual debt servicing costs of $1bn on Pakistan's $12bn foreign debt.

Businessmen are not optimistic about an improvement, however as the effect of a rise in customs duties on a wide variety of imports and capital goods has put a question mark over growth prospects in a variety of sectors.



Syrian Premier visits Amman

The reconciliation between Syria and Jordan developed further yesterday with a visit to Amman by Dr Abdul Raouf al-Qasm, the Syrian Prime Minister, writes Our Middle East Staff. He held immediate talks with King Hussein of Jordan, who is expected to visit Damascus within the next few weeks.

The two countries have been bitterly opposed over both the Palestinian issue and the Gulf War between Iraq and Iran. In the past three months King Hussein has expressed great disappointment at the policies of Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, and by drawing closer to Syria is providing himself with greater freedom to manoeuvre.

Marcos running mate

President Ferdinand Marcos of the Philippines yesterday said he would announce his vice-presidential candidate today for February's elections, agencies report from Manila. Armed forces chief Gen Fabian Ver said he would complete reorganisation of the military by the end of this month but that he has other security missions" to accomplish before his retires. Thousands of demonstrators rallied in Philippine cities to mark UN Human Rights Day. Manila police said 6,000 people marched towards the presidential palace but were stopped by police barricades.

Iran 'not responding'

The Saudi Foreign Minister, Prince Saud al-Faisal, has said Iran is not responding to efforts to end the five-year-old Gulf War with Iraq, the official Saudi Press Agency reported, Reuter writes from Riyadh. Prince Saud made the remark last night following talks here with Mr Ali Akbar Velayati, the Iranian Foreign Minister, who ended a two-day visit and left for Abu Dhabi.

"We did not detect any development of the Iranian stand to give the impression... of a positive move to end this destructive war," Prince Saud said.

Chinese visit to Iraq

Wu Xueqian, China's Foreign Minister, was due to arrive in Baghdad last night for a three-day visit at the start of a Middle East tour that will also take him to Jordan, Syria, Egypt and the United Arab Emirates, Reuter writes from Baghdad.

His trip continues a drive by Peking to consolidate ties in the region which has already seen visits by Tian Jiyun, a vice-premier, to North African Arab states in October and to Oman, the UAE and Kuwait last month by Yao Yilin, another vice-premier.

New Zealand considers law banning nuclear arms

LEGISLATION BANNING nuclear weapons and nuclear-powered warships from New Zealand was introduced in parliament yesterday but is not expected to be passed until mid-1986, Reuter reports from Wellington.

Mr David Lange, the Prime Minister, told parliament the move kept faith with New Zealand public opinion.

The introduction of the New Zealand Nuclear Free Zone, Disarmament and Arms Control Bill overrode opposition from the US and Australia, Wellington's allies in the Anzus defence pact.

The law enshrines the ban on nuclear weapons imposed in January, which led to a freeze in relations with Washington and a cut in defence ties between New Zealand and the US.

"This bil is the Government's response to the obligation placed on it to adopt and support responsible measures of disarmament and arms control," Mr Lange said. "Every country in the world has a compelling interest in the process of disarmament and arms control. No country can abdicate its interest in that process," he added.

Mr Lange told a noisy parliament that warships seeking port access would not be asked to declare whether they were carrying nuclear warheads. Under the law, the Prime Minister would have sole responsibility for granting or refusing access but could only allow a ship to dock if he were satisfied "that the warship will not be carrying any nuclear explosive device on their entry into these waters."

● Australia said yesterday it would build the world's most effective ground radar system to defend its north coast.

US may provide $30m to aid Angolan rebels

By Reginald Dale in Washington

THE Reagan Administration was yesterday reported to have tentatively decided on a first instalment of less than $30m in covert aid to the Unita rebels in Angola but to delay payment until the New Year. The hope would be to use the threat of aid to the rebels to induce the Angolan Government to the withdrawal of the 35,000 Cuban troops that are supporting it against Unita.

The Washington Post said that while the aid had not been officially authorised, an informal decision had been taken at a meeting between US Government agencies last month. It would involve "non-lethal aid" for Unita, led by Mr Jonas Savimbi, followed by military aid later on.

The US would probably continue its talks with the Angolan Government later this month, following the reopening of contacts at a meetig in Lusaka at the end of last month, the Post said.

Wall Street Journal fined

BY CHRIS SHERWELL IN SINGAPORE

THE Singapore High Court yesterday fined the publishers and three senior staff of the Asian Wall Street Journal a total of S$15,000 (£14,840) for contempt caused by an editorial carried by the paper in October.

Also fined were Singapore Newspaper Services, printer of the Journal in Singapore, and the manager of the Journal'a distribution agency in Singapore.

Handing down his judgment yesterday, Mr Justice Sinnathuray said it was "clear beyond doubt that the article contians objectionable statements scandalising the courts of Singapore, the contempt of court being one of the worst of its kind."

The offending editorial, published on October 17, dealt with a court case against Mr J. B. Jeyaretnam, one of two opposition members of Parliament, and criticised Singapore's judiciary. At e hearing last month Mr Fred Zimmerman, the Asian Wall Street Journal's editor, apologised for "any inadvertent contempt of court" on behalf of himself and the Dow Jones Publishing Co (Asia), the paper's publishers.

At the end of a 30-page judgment, Mr Justice Sinnathuray imposed a fine of S$6,000 against Dow Jones and another of S$3,000 against Mr Zimmerman.

Two staff not specifically mentioned in the original charges—Ms Melanie Kirkpatrick, featurea editor, and Mr Paul Gigot, editorial page editor—were fined S$4,000 and S$2,000 respectively. They had submitted affidavits saying they were responsible for writing the editorial.

Singapore News Services, which is part of the local media group Singapore Press Holdings, and Mr John Tan, the journal's distribution manager in Singapore, were each fined S$500.

Shultz warns of need to contain regional conflicts

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR GEORGE SHULTZ, the US Secretary of State, said yesterday that if there was any real danger of a US-Soviet confrontation it was likely to originate in a crisis in some part of the developing world rather than Europe.

Mr Shultz was speaking at a luncheon of the Pilgrims' Society in London, after reviewing the international situation in separate talks with Mrs Margaret Thatcher, the Prime Minister, and Sir Geoffrey Howe, the Foreign Secretary.

A statement issued by Downing Street after the meeting between Mrs Thatcher and Mr Sbultz said that, during wide-ranging talks, they had agreed on the need to pursue tbe arms control negotiations between the US and the Soviet Union "with a spirit of urgency." The Prime Minister and Mr Shultz also agreed on "the urgent need" for further progress towards a Middle East settlement.

In his talks with Sir Geoffrey, Mr Sbultz underlined the importance that the US attacbed to solving regional conflicts. The US Secretary of State told his British opposite number that it had been decided at the recent summit meeting between Prestdent Reagan and Mr Mikhail Gorbachev, the Soviet leader, that their foreign ministers would discuss Afgbanistan and Southern Africa at their next meeting.

Mr Sbultz said in bis speech tothe Pilgrim's Society that it was precisely hecause the central military balance in Europe was stable that "the problem of our time" bad become the need to contain regional conflicts.

"It is not difficult to see the advantage to Soviet foreign policy of its alliance witb radical movements throughout the developing world," he sald. "Even revolntionary Islam shares with otber radical forces a profound anti-Western impulse."

That impulse clearly worked to the advantage of the Soviet Union, threatening moderate pro-Western governments, menacing the West's oll supply and spreading the evil of terrorism and "the gospel of upbeaval."

Tbe US on the other hand, considered that negotiated political solntions represented the best bope for lasting peace. Extremists must be resisted

Jimmy Burns in Buenos Aires analyses the likely effects of the outcome of the human rights trial

Argentina verdicts aim for reconciliation and stability

ON HIS second anniversary as President of Argentina, Mr Raul Alfonsin was yesterday provided with an opportunity to measure again the extent of his Government's popularity.

Tuesday nlght's verdict in the trial of nine junta members who ruled the country between 1976 and 1982 reads like an exercise in fine jndgment which the President bimself could have devised.

It seeks to pursue the middle ground between the extremists in Argentine society who in the past bave tried to make the buman rights issue the point on whicb Argentina's ascent to democracy stands or falls.

At the end of the trial, which has lasted eight months, the president of the federal appeals court, Mr Leon Arslanian, accepted that when the 1976 coup took plece Argentina was being terrorised by a "revolutionary war."

The methods osed to fight it, bowever — house hreaking, illegal detention, torture and murder—went beyond the limits tolerable by civilised society and involved innocent victims as well as terrorists, tha court decided.

In sentencing the accused, the judges have compromised. By condemning only General Jorge Videla and Admiral Emilio Massera to lifa imprisonment, the jndges have recognised that tha bulk of buman rights violations were committed by the Army and the Navy in the first two years of the military regime.

Left to right: Emilio Massera, Jorge Anaya, Roberto Viola, Jorge Videla, Leopoldo Galtieri and Basilio Lami Dozo

It has been implicitly accepted that the members of the Galtieri junta, who were all acquitted, should be mainly answerable for their involvement in the Falklands war. This is currently being dealt with in a separate trial.

Since the human rights trial began in April, more than 1,000 witnesses have filed through court. What they had to say about teb 8,000 "disappeared" people, inclnding many innocent victims, has been woven into a tapestry of borror by the prosecution which initially left poblic opinion shocked, and many members of the armed forces livid. These passions bave now, to some extent, cooled

By declaring some of tha evidence to be insufficient and throwing oot some of the 700 cases pursued by the prosecution, the judges can claim to have acted fairly. They bave thus rejected tha defence's earlier claim that the proceedings bad been planned by tbe Government as a political sbow trial, in wbich all nine had been condemned before they were beard.

Government officials argue that apart from boosting Argentina's international standing, the trial will make the armed forces think twice before intervening violently in the country's political life in the future.

Their versioo of history has been questioned since the collapse of the military regime after the Falklands defeat. The armed forces had maiotained that the 1976 coup led by Gen Videla, Admiral Massera, and Brig Gen Orlando Agosti, the Air Force leader, and the methods of repression subsequently pursued were part of a heroic crusade by the defenders of western christian values against the threat of Marxist revolution.

Before banding over to the democratically elected government, the military regime declared an amnesty in lta favour. But buman rights organisations demanded a sweeping witch-hunt and a "people's trial" of the armed forces. Most people demanded only that justice be done.

The reactions of both human rights groups and the armed forces to Tuesday's verdicts appear to have been equally adverse. Mrs Hebe Bonafini, president of the Mothers of May, the relatives' gronp of the "disappeared," stormed out of the court, describing the acquittals as a farce. Fewer than a thousand supporters joined ber in a protest outside, however.

It is understood that the Army and, to a lesser extent, the Navy is angry with the implication of the verdicts that these two services were most responsible for buman rigbts violations. They suspect that the Air Force has come out of the trial lightly, because of its tacit political alliance with the Government.

The verdict could thus aggravate inter-service rivalries.

Within the military as a whole, the main worry now is that the judges, far from closing the book on the human rights issue, have opened up a new and potentially more dangerous chapter. The court has recommended that investigations should continue into the actions of brigade and division commanders and some 300 to 400 middle and junior officers who are already hefore the courts in connection with human rigbts violations.

The Government privately feels that the military rather than the buman rights organisations is the main focus of opposition.

The trial of the junta members was initially accepted both by the Government and the current military chiefs as an essential move, to draw a line between past and present military activity and enabla the armed forces to turn their backs on their political past and play a more professional role.

Now that the trial is over, the Government is relying on its parliamentary strength to launch a law in Congress early next year in defence of "national reconciliation." This would confine further human rights trials to a handful of officers.

Thus the Government bopes milltary discipline could be consolidated, the buman rights nigbtmare finally laid to rest and political stability become a reality at last.

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Congress negotiators set to back budget reform plan

BY REGINALD DALE, US EDITOR IN WASHINGTON

HOUSE and Senate negotiators were yesterday expected to endorse a radical plan to eliminate the US budget deficit by 1991, clearing the way for passage by both full bouses of Coogress. Thenegotiators were reported to bave overcome a last-minute snag over defence spending that beld up final agreement on Monday night.

Nevertbeless, Senator Robert Dole, the Senate Republican majority leader, said Congress would probably need to pass another sbort-term extension of the national debt ceiling today to allow work to be completed on the complex deficit-reduction package, the so-called Gramm-Rudman plan.

The plan is attached to legislation raising the national debt ceiling from $1,800bn (£1,225 bo) tojust over $2,000bn. Without any increase in borrowing autbority, the Treasury has said that it will run out of cash at midnight tonight.

President Ronald Reagan's position on the deficit reduction package was still unclear yesterday. After a White House meeting, members of Congress said that Mr Reagan was still generally in favour of the plan, but was also still seeking greater flexibility on defence spending. The plan would require the President to order automatic spending cuts if Congress did not meet progressively declining deficit targets.

Mr Reagan, meanwhile, was yesterday keeping up the pressnre to keep tax reform legislation alive in the House of Representatives, where a key vote is expected this week. House Republican leaders said that they still planned to defy the President's wishes by voting against a democratic tax proposal on which Mr Reagan is relying to keep the reform process from petering out.

The Democrats will need some Republican votes to pass their proposal, for onward transmission to the Republican-controlled Senate, where Mr Reagan wants to "improve" it. House Republican leaders, however, warned yesterday that the Democratic version could lead to a short-term economic slowdown, acording to Mr Beryl Sprinkel, chairman of the President's Council of Economic Advisers.

Concern grows over leadership at World Bank

By Stewart Fleming in Washington

CONCERN is growing in Washington about the apparent leadership vacuum at tha World Bank, which funds Third World development projects, as it faces up to the challenges presented by its expanding role.

Mr Tom Clausen, the Bank's president, announced in October he would retire when bis term of office expires next June.

Speculation about his successor—to be nominated by the US—focuses on Mr Richard Debs, a former chief operating officer at the New York Federal Reserve Bank and now president of Morgan Stanley International. Mr Jack Hennessy, president of Credit Suisse First Boston, and Mr John Petty, chalrman of Marine Midland Bank of Buffalo, New York.

The choice is important for the US Treasury given the decision by Mr James Baker, Treasury Secretary, that the World Bank must play a bigger role in trying to help to resolve the Third World debt problem.

Soviet Union and Brazil sign pact on links

THE Soviet Union and Brazil yesterday signed an agreement to expand political dialogue and officials of both nations called for broader economic and other ties, AP reports from Moscow.

"A climate of understanding has been created between both countries, favourable for the further development of relations," Mr Olavo Setubal, Brazil's Foreign Minister, said after two days of talks with his Soviet counterpart, Mr Ednard Shevardnadze.

Mr Setubal, the first Brazilian Foreign Minister to visit the Soviet Union, and Mr Shevardnadze signed an understanding to increase political co-operation. No details of the accords were released.

They also prolonged a 10-year trade agreement under which the countries exchange goods in an arrangement that currently sharply favours Brazil.

Last year, Brazil exported $196m (£130.6m) worth of goods to the Soviet Union and imported only $56m worth.

Guyanese opposition claims fraud as PNC takes lead

BY CANUTE JAMES IN KINGSTON

THE RULING People's National Congress (PNC) took an expected early lead as counting began yesterday of votes cast in Guyana's general election on Monday.

The count is being conducted in the absence of representatives of the main opposition People's Progressive Party (PPP, following the decision of its leader, Dr Cheddi Jagan, not to take part in what he has described as "a massive fraud."

Dr Jagan's decision followed what he said was a physical attack on him by representatives of the ruling party at a polling station. He had been later escorted to a police station at gunpolnt by men in plain clothes, he said.

The police confirmed that Dr Jagan had been detained briefly after allegations that be had assaulted the officer in charge of the polling station.

The PPP said yesterday morning it had not decided whether it would accept any seats it won in the election. The party was not pulling out of the election and was not conceding defeat.

Charges that the election was fraudulent have also been made by the other five parties challenging the PNC, which has been in office for the past 21 years. Mr Desmond Hoyte, the President, said the charges were typical of Guyanese opposition parties and were an excuse for defeat.

In the first results from the north west region, one of the 10 vote-counting centres, the elections commission reported a turnout of 65.2 per cent of the registered electorate. Of the 15,360 votes cast, the Commission said the PNC had received 12,256, the PPP 1,705, and the United Force 1,281.

WORLD TRADE NEWS

Akzo files trade complaint under new EEC rule

BY PAUL CHEESERIGHT IN BRUSSELS

A NEW European Community measure enabling EEC companies to retaliate against the unfair trading practices of other countries is being used for the first time by Akzo, the Netherlands synthetic fibres producer.

Akzo has lodged a complaint at the European Commission in Brussels claiming it is being prevented from selling aramide fibres, used in the armaments industry, to the US by action taken by Du Pont.

Akzo is claiming that the US International Trade Commission (ITC) engaged in an "illicit trade practice" when it ruled last month that Akzo's twaron fibre couldn't be imported into the US because it would unfairly damage Du Pont.

This triggers off a procedure which could lead to the Community taking action against the US in general or Du Pont in particular.

Within the next 60 days the Commission has to decide whether to accept the Akzo complaint. If it does, and it will keep the EEC Council of Ministers informed at every step, it will then pursue its inquiries in the US.

Should these inquiries substantiate the Akzo complaint, the EEC will ask Du Pont to drop its action against Akzo. If Du Pont refuses the Council of Ministers will then consider the question for a quick decision on retaliation.

Akzo accuses Du Pont of taking discriminatory action against it. Du Pont has sought the protection of the US Tariff Act 1930 for protection of its patent. It claims that Akzo sales in the US would be a violation of its patent.

The speed with which the Commission and the Council handle the Akzo action will provide the first evidence of the Community's enhanced ability to cope with trade complaints.

After several months of haggling about the techniques of decision-making, the Community last September brought into force what became known as the new commercial instrument.

This instrument, modelled on procedures employed in the US, seeks to give the Community a speedy way of taking action against what could be classified as the unfair trading practices of competitors both on the community and third markets.

Such practices can embrace not only difficulties of access, as in the Akzo case, but also predatory pricing and subsidised sales.

Laura Raun in Amsterdam adds: Akzo's complaint to the European Commission against the US is an effort to escalate the increasingly vitriolic, decade-long battle between the two companies.

If the US refuses to modify or annul the import ban, Akzo has warned it will appeal to the US Federal Court.

The Dutch fibres and chemicals company is seeking relief under the new EEC trade measure as part of a broad assault against Du Pont involving court battles, the ITC and now the Commission. In addition the two companies have accused each other of infringing their respective aramid patents in the courts of at least five countries.

Baldrige to hold talks with Gorbachev

By Patrick Cockburn in Moscow

MR Mikhail Gorbachev, the Soviet leader, was scheduled to see Mr Malcolm Baldrige, the US commerce secretary, yesterday in his first meeting with a senior US official since the summit in Geneva last month.

Mr Baldrige, in Moscow for a meeting between 400 US businessmen and Soviet trade organisations, is believed to be carrying a letter from President Reagan to the Soviet leader.

The Soviet Union has said that it welcomes increased trade with the US as a sign of improved political relations but is wary of signing any large contracts.

Mr Boris Aristov, the new Soviet Foreign Trade minister, told US businessmen at a dinner that: "The policy of sanctions and restrictions on trade with our country has heavily damaged the reputation of US companies as reliable partners. It is not an easy thing to restore trust."

US exports to the Soviet Union totalled $3.3bn in 1984 but most of this was grain. Soviet exports to the US were worth $330m, mostly oil products.

There is little optimism among diplomats that the overall trade picture between the US and the Soviet Union will rapidly change because of US legal restrictions, but the Soviets are particularly interested in American oil technology.

Soviet oil production has dropped by 4 per cent this year and investment in the oil industry is to be increased unexpectedly by 31 per cent in the 1986 plan.

Much of this will be spent on a deep oil drilling programme in west Siberia, the source of more than 60 per cent of the country's oil and gas.

Jurek Martin explains how restrictions rule in an anti-litigious society

Foreign lawyers push for change in Japan

US AND EUROPEAN legal experts yesterday reacted with something akin to dismay to the latest Japanese proposals over the conditions under which foreign lawyers would be allowed to practise in Japan.

On Monday, the Japanese Federation of Bar Associations passed a resolution that appears to constitute little advance on its known conservative attitudes. Its proposals are likely to form the basis of any legislation submitted to parliament.

Three main conditions are:

- That foreign lawyers are limited to dealing in Japan with the laws of their own country, or, under certain circumstances, with those of a third country.
- That reciprocity should be applied, in that lawyers from countries which do not permit Japanese to practise would be similarly not allowed in Japan.
- That foreign lawyers should not be allowed to enter into partnerships or even employ Japanese lawyers; additionally they would be subject to the jurisdiction of the Bar Association.

In what some construed as a gesture adding insult to injury, the Association also declared that foreign lawyers should not be permitted to use the Japanese word for lawyer (bengoshi), but rather should be restricted to a tortuous description that makes their "foreignness" clear.

Typical of local foreign reaction was the sarcastic comment of a European Community official that the latest proposals amounted to "a small step backwards." The head of the EEC delegation here, Mr Laurens-Jan Brinkhorst, was understood to be seeking an early meeting with the Justice Minister to register a formal protest.

The question of foreign legal access in Japan is complex and, outside the legal profession, has probably not so far been a prime bone of contention between Japan, the US and Europe. But the growing interest in a new trading regime for services, as witnessed by the latest General Agreement on Tariffs and Trade (Gatt) negotiations in Geneva, may move the issue to the front burner.

The only foreign lawyers allowed even limited practice in Japan are those licensed before 1955 and a handful given special dispensation under the terms of the reversion of the island of Okinawa from the US to Japan in 1972.

There are several hundred foreign lawyers serving as legal advisers here, many employed by Japanese companies with extensive international business. About 60 foreign law firms maintain Japanese offices, mostly for liason purposes. But they may not plead in a Japanese court nor may they sign documents which are legally binding in Japan.

Japan remains a non-litigious society, with only about 12,500 fully licensed lawyers, against an estimated 650,000 in the US. However the growth of international trade and finance has created a demand for legal expertise that the domestic legal fraternity is hard pressed to meet.

The most intractable issues are probably three of reciprocity and supervision. Only a few US state bar associations permit non-Americans to practise. The most notable exception is New York, which the US believes should serve for comparative purposes. In fact, only about five Japanese, according to one local estimate, have qualified to practice in New York.

The Japanese Bar Association's view appears to remain that until a majority of US states permit foreigners to practice, Americans cannot expect unlimited licence in Japan. This belief, however, runs up against the US Constitution, in which the rights of states are specified.

The foreign legal community in Japan is also flatly opposed to he proposal that the governing body for foreign lawyers should be the Federation of Bar Associations, rather than the Ministry of Justice.

A recent position paper by the American Chamber of Commerce in Japan stated that it was "inherently unfair . . . to have foreign access to any Japanese market regulated by a trade association composed of Japanese competitors."

There are divisions among Japanese lawyers over liberalisation. One school of opinion is that Japan should better understand US law, and its extra-territorial inclinations, in order to be able to combat it better in international suits and in issues before multinational bodies such as Gatt. But this is not, as yet, the prevailing view.

An advisory panel has recommended that Government-protected Japan Air Lines be privatised and that the company's monopoly on regular international routes be ended, Japan's transport ministry said yesterday, AP reports from Tokyo.

Ministry officials said the Council for Transport Policy has submitted to Minister Tokuo Yamashita an interim report calling for changes in government policy, which shelters the national flag carrier from competition.

The proposals would open the way for Japan's other two major carriers, All Nippon Airways and Toa Domestic Air Lines, to operate scheduled international flights.

ANA, Japan's largest domestic airlines, hopes to begin flights on the Tokyo-Guam route early next year and is seeking approval to operate a Tokyo-Los Angeles flight. Under e US-Japan provisional agreement signed last May, each side is to be allowed to open three new routes across the pacific.

Senate theatens China nuclear ban

BY NANCY DUNNE IN WASHINGTON

THE US SENATE, in a surprise move, has voted to ban the export of nuclear technology to China unless Beijing agrees to permit outside verification that its purchase will be restricted to peaceful uses.

With little fanfare, the measure passed by voice vote late on Monday night, attached to an omnibus spending Bill by Senator John Glenn of Ohio. The Senator, along with Senators Alan Cranston of California and William Cohen of Maine, are leading a campaign to get stronger assurances from China on nuclear proliferation.

The Reagan Administration is strongly opposed to the measure, and will try to get it thrown out when House and Senate negotiators meet to work out a compromise spending Bill.

- Honeywell, the US computer company, said it has signed a 10-year trade agreement with China whereby Honeywell and its Yamatake - Honeywell, Japanese affiliate, will jointly supply China with manufacturing technology for a range of equipment in Honeywell's TDC 3000 digital process control system, AP-DJ reports from Minneapolis.

The technology transfer from Honeywell to China will begin in early 1986.

Leyland wins Singapore bus chassis contract

BY CHRIS SHERWELL IN SINGAPORE

LEYLAND BUS of the UK and Walter Alexander of Falkirk have notched up a double British success by winning a months-long battle for a major bus chassis and bodywork order from Singapore.

The BL order is for 100 Leyland Olympian double-decker bus chassis with an option on a second 100. It is worth up to £6.4m. Walter Alexander will supply 100 bodies in kit form, and there is a similar option on another 100. The value is put at around £3m.

The deal, a boost for both companies at a time when domestic orders have declined, is their second success in 30 months with the Singapore Bus Service, the island state's bus operator.

In July 1983 an order for 400 bus chassis was divided equally between BL and Mercedes Benz of West Germany. Alexanders won the contract for all 400 bodies.

BL's main competitors in the latest battle were all European —Volvo of Sweden, Mercedes Benz and Scania, also of Sweden. Alexanders were up against BL's own coachbuilding arm, as well as others.

It had been hoped that the Singapore Bus Service, which operates a fleet of 3,000 buses and also 200 taxis, would place an order for 300 buses, as originally planned. However, the corporation decided against this, after some delay. Tenders had closed in April for the chassis, and the validity of BL's offer had to be extended twice.

BL is still chasing a £94m contract — originally worth £385m—to revamp Bangkok's debt-ridden bus system in Thailand. It is also hoping to secure an order for 40 double-deckers in Jakarta, the Indonesian capital.

US offers way round row over pasta exports

THE US is willing to lift the tariff on pasta imports and instead tax a variety of European products exported to the US, the Italian foreign trade ministry said, AP-DJ reports from Rome.

The announcement about the so-called "spaghetti war" was made in a statement following a meeting between Dr Clayton Yeutter, US Trade Representative, and Mr Nicola Capria, the Italian Foreign Trade Minister.

Italy has complained that by heavily taxing pasta, the US has singled it out in its retaliation for what it calls discrimination by the European Community on American nuts and citrus fruits exported to Europe.

The statement said the US was willing to "unload the burden" among other European countries "so that the economic weight is equally distributed among the member states of the Common Market."

The tariff on other EEC products would not be limited to agriculutral goods, the ministry said.

Mr Yeutter also met with Foreign Minister Giulio Andreotti, who said in a statement that he had urged a "more balanced approach" on the part of the US Government to commercial issues with the EEC.

Commonwealth warns of global trade talks danger

BY ANTHONY MORETON IN BRUSSELS

THE COMING round of global trade talks within the General Agreement on Tariffs and Trade will be unsuccessful unless developing countries gain some benefits from the new round, a senior official of the Commonwealth Secretariat warned yesterday.

Mr Vincent Cable, director of Secretariat's economic affairs division said this meant that developing countries had to be allowed to sell more of their goods to the industrialised West. He was speaking to a conference in Brussels on the Multi-Fibre Arrangement (MFA)—the agreement governing a large part of world trade on textiles and clothing.

The West was speaking with two voices, he said. On the one hand it was saying growth was occurring in its economies and that this would continue. On the other, it was calling for an MFA that implied its markets were still in deep recession, as they were in 1981 when the MFA was last negotiated.

There was now deep concern about the consequences of protectionism, he told the conference.

A more liberal trade in textiles and clothing required action in three areas, he said.

- A clear understanding that restraints would be phased out over a period of time.
- More flexibility should be introduced into the system.
- A new framework had to be created replacing the MFA with new arrangements for trade.

UK NEWS

Lloyd's may release confidential papers to aid investigation

BY JOHN MOORE AND PETER RIDDELL

AUTHORITIES of Lloyd's, the London insurance market, may pass over confidential documents to the office of the Director of Public Prosecutions (DPP) in an effort to help the authorities pursue cases of alleged fraud.

Mr Ian Hay Davison, Lloyd's chief executive, said yesterday that it had been decided that "the public interest outweighs confidentiality." Lloyd's move comes after criticism in parliament by Mr Brian Sedgemore, the Labour MP, that the Lloyd's authorities were withholding evidence.

Mr Davison said yesterday that Lloyd's had passed over to the DPP numerous documents in connection with alleged frauds totalling more than £100m in the market.

He said that bank statements, various documents, inspectors' reports and transcripts of witnesses taken in the course of investigations had been passed to the office. But he said that the transcript of witnesses' evidence in disciplinary proceedings had not been made available. Lloyd's by-laws, provided for confidentiality of witnesses' evidence used in disciplinary proceedings. "We wish to protect their confidentiality, not to protect fraudsters," he said.

In the House of Commons yesterday the Labour Party stepped up its campaign over the regulation of Lloyd's. It made a formal request to the Government that Lloyd's should be included within the scope of the Financial Services Bill due to be published tomorrow week.

The call was made by Mr John Smith, Labour's chief trade and industry spokesman and a former Trade Secretary, in a letter to Mr Leon Brittan, the Trade and Industry Secretary. In this he said that "any public confidence there was in the capacity of Lloyd's to regulate itself has decreased to vanishing point."

He added that it was the intention of the Labour Party to move amendments to the Bill to include Lloyd's so that parliament could decide the question, "but the situation has now deteriorated to the extent that I believe the Government must take the initiative."

He hoped that the Bill would be accompanied by an announcement about the inclusion of Lloyd's.

Barclays head in plea on bank rules

By David Lascelles

A PLEA that British banking supervision should remain flexible and not jeopardise the UK banks' international competitiveness was made to the Government yesterday by Mr Peter Leslie, chief general manager of Barclays, the UK's largest bank.

His plea, the most forceful yet by a senior UK banker, comes shortly before the Treasury is to publish its White Paper (policy document) on banking supervision – probably early next week – as a prelude to reinforcing the 1979 Banking Act.

Mr Leslie, who was speaking at the Financial Times' Conference on World Banking, said that while UK banks accepted the need for more effective supervision in the light of the Johnson Matthey Bankers affair and far-reaching changes in the financial markets, they were worried that the new regime could be too onerous.

Mr Bryan Gould, the Opposition Spokesman on Trade, said responsibility for banking supervision should be taken away from the Bank of England and given to a new banking agency.

Mr Leslie said that the Bank's more stringent capital requirements had already permitted Japanese banks dramatically to increase their share of banking business in London.

UK banks had several objections to proposals put forward by the Bank. They were worried that the new Banking Bill would:

- Allow many more institutions to call themselves banks, which would lead to misuse of the word.
- give the Bank statutory powers to pass on banking information to any government department in the public interest. This weakening of confidentiality would reduce UK banks ability to compete with more secret foreign banks
- impose rigid limits on how much a bank could lend to any one customer
- disturb the relationship between a bank and its auditors by obliging auditors to pass information to the Bank.

The secret of proper banking supervision did not lie in creating a massive bureaucratic machine but in having supervisors who understand banks and banking risks, Mr Leslie said.

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UK NEWS

Vauxhall set for loss despite record sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VAUXHALL, the General Motors subsidiary, will suffer another big financial loss for 1985 even though its car sales will reach record levels. Mr Eric Fountain, director of public affairs, said yesterday.

The loss was likely to be bigger than the £9.4m deficit for 1984. He suggested that the car price wars in Britain were mainly to blame for Vauxhall's failure to return to profit.

He said the battle had remained so severe that not one of the UK-based car producers would show a profit for 1985 – not even Ford of Britain, which so far has avoided losses.

Mr Fountain said Vauxhall had not played a leading role in the UK price wars but had had to follow its main competitors whenever they introduced special incentive schemes and offered dealers extra bonuses.

British Leyland's Austin Rover subsidiary was currently the most aggressive company and was offering the biggest incentives.

Vauxhall will end 1985 with record car sales of more than 300,000, up from 282,000 last year – and a peak UK market share of just under 17 per cent.

Next year the company expects to sell 330,000 cars for an 18 per cent market share and will be on target to reach 20 per cent by 1988, Mr Fountain said.

Vauxhall has made a net profit only once in the past 10 years: £2m in 1978.

Mr Fountain said the company suffered 164 minor unofficial disputes this year, which cost the output of 18,000 cars worth about £100m.

However, as part of the recently agreed, two year pay deal the unions have pledged there will be no more wildcat strikes. Workers who walk off Vauxhall production lines in unofficial disputes will be replaced by others supplied by the union.

Notices to this effect are being put up by the unions at the Vauxhall plants in Luton, north of London, and Ellesmere Port on Merseyside.

Mr Fountain said this deal was one of the best in the UK motor industry and should ensure the smooth running of the plants in 1986.

The Press Association adds: With a £9m investment at Ellesmere Port creating 600 jobs, Vauxhall aims to increase the number of cars it builds in the UK from 56 per cent of its sales to 64 per cent.

The percentage of UK parts in the cars is also being increased from about 50 per cent to 60 per cent next year. Vauxhall estimates that this will be worth about £50m to UK component companies.

BL names new executive car

BY JOHN GRIFFITHS

THE EXECUTIVE car developed jointly by Austin Rover and Honda and code-named "XX" is to be called the Sterling in North America, but the Rover 800 Series in Europe and the rest of the world.

The car will go on sale in the UK in the middle of next year. A launch on the European continent will follow in the autumn.

At about the same time, Far Eastern markets will start receiving supplies from Honda, which is building the Rover model in Japan as well as its own version, the Legend (Austin Rover is also to build both versions at new facilities in Cowley, Oxford).

The Sterling will go on sale in the US in early 1987 through an intended network of 100 dealers being set up by Austin Rover Cars of North America.

The company, formed by Austin Rover and Mr Norman Braman, a large-scale car retailer, says the first dealer appointments will be announced shortly.

Austin Rover conducted consumer "clinics" in New York, California and Florida before selecting the Sterling name.

Mr Trevor Taylor, Austin Rover's sales and marketing director, says it was chosen "principally because of its clear association with British quality and luxury, but also because we decided this distinctively different car marketed by a new distributor organisation should bear an equally distinctive marque name."

The US model will be powered by a Honda V6 engine. The Rover 800 versions will use new 2-litre Austin Rover engines as well as the Honda unit.

Supervisory body called for to police City

By Richard Evans

A SUPERVISORY body for the City of London along the lines of the Securities and Exchange Commission (SEC) in the US was advocated yesterday by Mr David Steel, the Liberal leader, in place of the proposed self-regulatory codes.

Mr Steel, addressing the American Chamber of Commerce in London, said the City's great international reputation must not be allowed to be tarnished "by trickery and fraud that go unpunished."

The country would see over the next few weeks, both in Bills due to be published and the urgency of prosecution of wrongdoers, whether the Government was prepared to recognise how serious the damage already was and how much more serious it might become.

"I find myself increasingly convinced that an overall supervisory body, drawing on the example of the Securities and Exchange Commission, will be required. A mishmash of different self-regulating bodies and codes barely seems adequate to the new City," he said.

"The City must not become a saloon for the gunslingers and cowboys of the financial world to make a killing at the expense of the small investor and insurer."

Mr Steel's concern was that the speed of change following deregulation, coupled with a raging bull market and the very substantial fortunes to be made from privatisation, had created a "rather feverish" atmosphere in the London Stock Exchange.

For the first time the possibilities now existed of serious conflicts of interest within the new financial conglomerates, which could be at one and the same time investors, brokers, jobbers and bankers.

Mr Steel said that in Lloyd's insurance market, where a member's word was once his bond, there had clearly been disgraceful misappropriation of funds on a massive scale. The trail of scandal had even led, in the case of Johnson Matthey Bank, to the doors of the Bank of England.

"Only the very highest standards of probity and practice are acceptable in the City," Mr Steel concluded.

EEC legal opinion backs North Sea oil export policy

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LUXEMBOURG

THE UK Government appears to have defeated an attempt to have its North Sea oil export policy, which effectively bans sales to Israel, condemned as a breach of Common Market law.

The European Court of Justice in Luxembourg was advised yesterday that the policy, introduced in 1979 by the then Energy Secretary, Mr Tony Benn, and maintained by successive governments, did not infringe the EEC's common rules for exports.

Nor, the court was told by Sir Gordon Slynn, one of its Advocates General, did the policy offend against a pre-existing free trade agreement between the EEC and Israel.

Sir Gordon suggested, however, that the policy could not necessarily be justified "in perpetuity or even indefinitely" without being reassessed in the light of changed circumstances.

He noted that it had been a response to the 1979 Iranian crisis, when there had been an oil shortage, and that there had since been an oil surplus.

The eight judges will now consider their ruling. Although not bound by Sir Gordon's opinion, it is rare for the court to reach a conclusioo contrary to that of its Advocates General.

The policy allows North Sea crude to be exported only to EEC states, the International Energy Agency and other countries with which, in 1979, there had been "an existing pattern of trade." They included Finland and certain Caribbean countries but not Israel.

The European Court has been asked by the English High Court for a preliminary ruling on the applicability of EEC law to the policy in the context of a dispute in England between oil companies.

In 1981, a shipment of a cargo of North Sea crude, sold by Sun International, of Bermuda, and Sun Oil Trading, of Delaware, to Bulk Oil (Zug), a Swiss oil trader, was stopped at the Sullom Voe terminal in the Shetlands operated by British Petroleum.

It was learnt that the oil was destined for Israel, which, it was claimed, would be contrary to UK policy.

At an arbitration, Sun was awarded nearly $15m in damages and interest for Bulk's breach of the destination clause in the sale contract, which stipulated "destination free but always in line with exporting country's government policy."

Bulk has appealed to the High Court, cootending that Sun cannot rely on the UK policy because, Bulk argues, it is invalid under EEC law.

In the hearing at the European Court in September the UK, backed by Sun and the European Commission, argued that the 1975 EEC/Israel agreement banned only restrictions on imports and contained no provision prohibiting export restrictions.

Bulk contended that both imports and exports were covered and also argued that the 1969 Common Export Rules precluded a member state from adopting a policy to ban exports to certain non-member countries, including Israel.

Sir Gordon, a former English High Court judge, said that the 1975 agreement contained no express or implied prohibition of quantitative restrictions on exports and therefore did not invalidate or preclude Britain's policy.

In his view, the Common Export Rules permitted member states to introduce new restrictions on crude oil exports, in addition to allowing existing policies to be applied.

The UK Government had argued that, even if its policy were otherwise contrary to the 1975 agreement and the Common Export Rules, it was justified under both on the grounds of public security.

Sir Gordon said that a restriction on the export of crude oil could be justified on public security grounds. It was arguable that the UK's policy had been justified in 1979, when there had been an oil shortage and uncertainty about future supplies.

UK NEWS

ULSTER UNIONISTS PLAN RALLY

Protest to mark Anglo-Irish pact meeting

BY HUGH CARNEGY IN DUBLIN

ULSTER UNIONISTS are to stage a further rally in Belfast today in a protest against last month's Anglo-Irish agreement. The rally is timed to coincide with the first meeting of the inter-governmental conference set up under the accord.

The demonstration will be the second staged by unionists within three weeks.

The conference, headed by Mr Tnm King, Northern Ireland Secretary and Mr Peter Barry, Republic nf Ireland Foreign Minister, is widely predicted to meet today at Stormont Castle (the Nnrthern Ireland Assembly) or the Maryfield civil service complex outside Belfast.

Nn confirmation of the meeting has been given, apparently for fear of Unionist protests.

The two main Unionist parties, the Official Unionist Party and the Democratic Unionist Party, are pressing on with their campaign to destroy the accord, which gives Dublin a consultative role in the affairs of Northern Ireland.

They are urging their supporters to gather at the Maryfield complex at lunchtime in a peaceful protest.

The demnnstration will provide a further gauge of public feeling towards the agreement, after the big Unionist protest in central Belfast on November 23.

Maryfield is next to a British Army base at Holywood's Palace Barracks and close to Belfast Harbour airport. Security there has been tightened over the past few weeks.

Unionists say civil servants from Dublin are already installed at the complex to man the intergovernmental conference secretariat.

This has not been publicly confirmed by London or Dublin.

The secrecy surrounding the implementation of the agreement contrasts with the blaze of publicity given to the accord by Dublin and London when it was signed on November 15 and reflects heightened security concerns in the wake of the fierce Unionist reaction.

According to the joint communiqué issued at the signing of the agreement, the first meeting of the conference will concentrate on ways of enhancing cross-border security, the problem of nationalist alienation from the security forces and the measures to improve public confidence in the province's judicial system.

Mr Tom King

Dublin has said it wants changes in the mainly part-time, largely Protestant, Ulster Defence Regiment, and is pressing for changes in the single-judge, non-jury courts for terrorist trials.

Mr Barry will be accompanied by Mr Michael Noonan, the Irish Justice Minister, and nne other minister. The two police chiefs, Sir John Hermon of the Royal Ulster Constabulary and Garda (Police) commissioner Mr Lawrence Wren, are also expected to attend.

They met for the first time in nearly three years last week.

Yesterday at Stormont Castle, Unionists unfurled a 15 metre banner proclaiming The Northern Ireland Assembly Says No.

The Assembly's business has been suspended by the Unionists, who have begun hearings on a "grand committee" on the Anglo-Irish agreement.

Britain bids for TV picture of future

By Raymond Snoddy

THE INDEPENDENT Broadcasting Authority (IBA) yesterday launched a campaign to win acceptance of its new wide-screen high-resolution television picture.

The new system, called Enhanced C-Mac, will be shown this week to managing directors of independent television companies and officials from the Home Office and the Department of Trade and Industry.

The system developed by the IBA has become a weapon in a very political battle over what should be the world standard for High-Definition Television (HDTV) – the improved television set of the future.

The Americans and the Japanese are pushing for acceptance next year of n system developed by NHK, the Japanese public service broadcasting organisation. It is based on 1,125 lines and 60 Hz.

Britain, with the support of France, Germany and the Netherlands, is arguing that it is too early to adopt a single world standard for HDTV now.

Mr Tom Robson, the IBA director of engineering, said yesterday that the British system, based on the European 50 Hz, was evolutionary and compatible with existing television sets and studio equipment.

"The NHK High-Definition System is revolutionary and non-compatible," Mr Robson said.

"The Americans are not willing to give in in any way. They want something that suits them. I don't think we are going to get a world standard unless there is give and take," Mr Robson said.

The IBA picture system was demonstrated in London yesterday for the first time.

The IBA claims it is the only transmission standard designed for satellite broadcasting which is compatible with existing equipment and can provide wide-screen pictures with a resolution comparable to 35 mm film, together with stereo digital sound.

The new IBA system, like all high-definition television, has to be delivered to individual homes by satellite. Mr Robson believes that it could be ready, probably for showing by a projector on large screens, within four years.

HOPE FADES FOR 700 NEW MINING JOBS

Coal project shelved

BY MAURICE SAMUELSON

A PROJECT to develop Britain's last big deposit of coking coal for the steel industry, with the creation of 700 mining jobs, has been shelved by the National Coal Board (NCB) because of its inability to match world prices which have dropped by about 15 per cent in the past year.

The NCB had been considering investing £90m in a shallow drift mine at Margam, close to the Port Talbot steelworks in South Wales. It would have been the first big coal project in South Wales for many years, and could have helped to offset the large number of men being made redundant at other Welsh pits.

The only hope for the Margam project would be if the Government, in recognition of the NCB's improving finances, decided to cover the investment with regional development aid of the kind offered to other companies for job-creation in unemployment black spots.

Coal industry analysts claim that with a grant to cover the capital charges, the Margam mine could match the £40 a tonne which British Steel pays for importing coking coal to Port Talbot – and still show a margin on operating costs.

That, however, would necessitate a change of government policy. Five years ago the Government denied the NCB access to these grants in an attempt to staunch its heavy losses. (For similar reasons, in 1979 it removed the separate subvention for coking coal production which had been introduced five years earlier.)

With the NCB now responding to the Government's tough policies, suggestions are circulating that there is n case for letting it use such grants again.

The argument is highlighted by the situation in West Germany where production of coking coal in the Ruhr has been heavily subsidised for the past 20 years under an agreement called the Hüttenvertrag. The agreement, supplemented by smaller contributions from the steel industry, is nbout to be extended to the end of the century at n cost of more than DM 10bn (£2.67bn).

The Welsh coal industry was told at the end of the miners' strike that development of the Margam mine, already scaled down from a more ambitious £200m project, would partly depend on the ability of the loss-making Welsh pits to start generating some of the necessary capital.

Welsh NCB officials now aim to break even early next year, in contrast with last year's £160m losses. Even if the target is achieved, however, the Margam project will remain shelved because of the drop in world coking coal prices and the high interest rates which the NCB would have to bear on it.

BP to search for Ulster lignite

FINANCIAL TIMES REPORTER

BRITISH PETROLEUM has won a licence in Northern Ireland to explore for lignite, regarded as a potential source of cheap fuel for the province's electricity industry.

The Northern Ireland Office announced last night that BP Coal, part of British Petroleum, would be licensed to explore the lignite at Coagh on the western side of Lough Neagh. The licence will be confirmed once it has gone through a brief process of public consultation. The Northern Ireland authorities hope that exploration will start next spring.

The Coagh deposit is believed to be at least as good as that at Crumlin on the opposite shore of the Lough, for which Northern Strip Mining, part of the Burnett and Hallamshire Group, already has a mining permit.

Lignite prospecting licences in two other areas are being offered to Meskatharra Minerals, of Australia (at Ballymoney), and to n consortium of Anglo United Development Corporation and Grenmore Holdings (for deposits at Lough Beg, south of Crumlin).

Lignite, with a calorific value midway between coal and peat, is virtually unknown in other parts of the British Isles. It is widely used for electricity generation in many other parts of the world. Because of the difficulty of transporting it, it is usually burned in power stations constructed at the mine-mouth.

Some 420m tonnes of lignite have already been identified at Crumlin, and if the other deposits live up to expectations, the final total of recoverable reserves may be put at 1bn tonnes. This would be sufficient to supply the province's electricity for most of the next century.

Information jobs boost predicted

BY DAVID THOMAS, LABOUR STAFF

MORE WORKERS will be employed processing information over the next decade, but the nature nf their skills is likely to change substantially.

These are two of the main findings of a report by the Technical Change Centre, an independent research group, on the impact of new technology on jobs in the information service sector. The report was commissioned by the British Library.

It calculates that almost 8m workers, 34.8 per cent of the UK workforce, were employed in information occupations in 1981.

The figures were calculated using a wide definition of information services, to include jobs such as computer and financial specialists as well as more traditional information workers such as librarians.

The report projects that workers in the sector will rise to 9.28m in 1990 (38.7 per cent of the workforce) and 9.38m in 1995 (40.9 per cent).

It suggests that the growth in jobs will be concentrated in two main groups: managerial and supervisory staffs; and communications workers, including the media.

Other occupations such as traditional librarians and workers with keyboard skills will fare less well.

The Impact of New Technology on the Labour Market and Demands for Information Services; Technical Change Centre, 114 Cromwell Road, London SW7, £50.

US forecast to lead upturn in growth by industrial nations

BY DAVID LASCELLES, BANKING CORRESPONDENT

LEADING INDUSTRIAL countries can expect growth of 3.6 per cent next year, an improvement on this year's 3 per cent, according to Dr Hans Mast, executive vice-president and economic adviser of Crédit Suisse. The main impetus would come from the US, which would rebound strongly in 1986, be told a Financial Times World Banking Conference in Londnn.

For the first time since 1980, however, inflation would probably show no further significant decline. Commodity prices would rise noticeably, which should help developing countries. Unemployment would edge downwards, although it would remain high at an average of 8 per cent. Long-term interest rates were unlikely to ease further, be said.

Examining the prospects for Arab banks in the wake of the decline in international syndicated lending, Mr Abdulla A. Saudi, president and chief executive of Arab Banking Corporation, said they had three options: to concentrate more on their own regions, to move into investment banking, and to expand into new areas through acquisition.

Mounting financial pressures on Arab countries might make them bigger borrowers nn the international markets, be thought.

Mr Peter Leslie, chief general manager of Barclays Bank, discussed proposed changes to UK banking supervision after the Johnson Matthey Bankers (JMB) affair. UK banks broadly supported the need for more effective supervision, but it was important to preserve the flexibility of the present system, he said.

Mr Bryan Gould, Labour opposition spokesman on trade and industry, doubted that the changes would eliminate many of the causes nf the JMB crisis and called for more radical measures, including tougher statutory powers for the Bank of England and a new bank audit commission. He thought the function of central bank and bank supervisor should be separated.

Sir John Nott, the chairman of Lazard Brothers, the UK merchant bank, said the Government's proposals for a self-regulating system for the City of London would be unsatisfactory because of its vulnerability to political interference. He preferred a single independent statutory body, and called on the Government to delay parliamentary consideration of its forthcoming Financial Services Bill.

Mr Herve de Carmoy, chief executive of the international division of Midland Bank, said the post-war banking era pointed to several considerations for banks now planning their strategy for the 1990s.

Those included the need for better credit assessment and cost control, and an understanding of the implications of the international debt problem and of the emergence of global banking. The key success factors in the coming years would be technology, an awareness of competition, and the management of buman resources.

FINANCIAL TIMES
WORLD BANKING IN 1985
CONFERENCE

Financial institutions operating in London were walking on a tightrope Mr Andrew Large, chief executive of Swiss Bank Corporation International, said. All would agree that investors had to be protected, but overregulation could stifle or drive the securities markets out of Londnn, which would be a great pity.

In spite of the well publicised problems of some foreign banks operating there, the US market continued to have a favourable climate, Mr Winfried Spaeh, senior general manager of Dresdner Bank in New York, said. The prospects are good for banks that can adapt to the US market, even better fnr those who concentrate on profitability rather than growth, and best for those who learn from US innovations and apply them to their own markets.

Mr William Rhodes, chairman of the Third World loan restructuring committee and an official of Citibank, said the overall situation on international debt was better than it was often portrayed. He expected international banks shortly to endorse the plan recently proposed by Mr James Baker, the US Treasury Secretary, to channel more fund to the Third Wnrld.

UK NEWS

Chief is named for Star Wars liaison office

BY PETER MARSH

THE DEFENCE Ministry has appointed a senior civil servant to head a Strategic Defence Initiative (SDI) office that will co-ordinate the activities of British companies in the US Star Wars programme.

Mr Ken Hambleton, the ministry's assistant chief scientific adviser in charge of projects and research, will take control of the office on his return to London tomorrow.

Mr Hambleton has been in Washington since the weekend to discuss with Pentagon officials routes for collaboration after the memorandum of understanding agreed between the two governments last Friday over Britain's role in the $26bn research project.

The Star Wars programme is due to devise by the 1990s a basis to defend the West against nuclear attack by shooting down Soviet missiles with a range of exotic devices such as laser guns.

It emerged yesterday that details of the governmental agreement had yet to be communicated to British companies that might want to bid for contracts under the programme. The Defence Ministry defended its decision not to make public the document on the ground that it contains details of research work that companies that bid for contracts may want to keep to themselves.

In Washington, the Pentagon's Strategic Defence Initiative Organisation, the body co-ordinating the research project, said it could not discuss the agreement.

Dr William Bardo, technical director of the Marconi group, which is owned by GEC, said yesterday that he assumed he would receive details of the memorandum in the next week. He said he hoped it covered adequately provisions for British concerns to retain commercial rights over technologies they work on under Star Wars.

"We will need to known the terms of the general agreement so we know the conditions under which we can conclude contracts," said Dr Bardo. Marconi plans to bid for a variety of Star Wars work in areas such as sensors and computer systems.

Other companies hoping to gain work gave a warning thet much hard negotiation lay ahead. Dr Chris Dain, deputy managing director of the space and defence systems group at Logica, the computer company, said: "Wa are one step further forward but there is still a long way to go."

Mr Michael Thom, chairman of Systems Designers Scientific, a software group, said he thought companies would want to get involved in Star Wars only on the basis that they shared rights over commercialisation of technologies with the US Defence Department.

Mr Thom plans to bid for a contract on Star Wars "battle management" – which involves complex software needed to control an array of sensors and other military devices – in response to a direct invitation from the Pentagon.

A $285,000 SDI contract between the Defence Department and a consortium of Ferranti and Heriot-Watt University on optical computing is to be signed shortly. Apart from that, the first package of work for UK contractors will probably involve a set of theoretical studies on how Western Europe could be protected by a Star Wars shield.

Engineers excited by neutron research club

David Fishlock, Science Editor, explains why work at the frontiers of sub-atomic physics is attracting increasing support

NEUTRON science, using rays which can "see" deep inside a substance, is the subject of a new European research club which Britain has persuaded France and Italy to join.

The excitement of the science overrides other problems such as Britain's wish to reduce contributions to another such club, Cern, the European Organisation for Nuclear Research.

Like the atom-smashers of Cern, the new club is primarily of interest to basic science. But it is exciting growing interest among the more research-conscious engineering companies.

Professor Alan Leadbetter, who heads Britain's effort in neutron science, last week led a team to Italy for presentations at the headquarters of the Ansaldo engineering group. About 50 Italian companies were present.

An example they gave was of the insight neutrons can give engineers of the integrity of a critical weld, by revealing not just flaws but stress patterns throughout it. The technique could be used to validate a new code of welding practice, they said. Companies such as BP, ICI, Rolls-Royce and Unilever were already showing interest.

In Brussels yesterday Mr George Walden, junior minister at the UK Department of Education and Science, signed a memorandum of understanding on the further development of Isis with Professor Hubert Curien, France's research and development minister, and Mr Luigi Granelli, Italy's minister for the co-ordination of scientific technological research.

By the end of next year, when Isis is up to full power, the three nations expect to have worked out an agreement on sharing the facility and paying for future development.

Other nations – notably West Germany – will have observer status during the year and are thought likely to want to join the new European research club. Germany recently abandoned an ambitious scheme of its own.

Isis is the new name for the neutron source, given by Mrs Margaret Thatcher at its inauguration ceremony in October. The Prime Minister then reaffirmed the Government's faith in basic research as "a springboard to the creation of wealth, as well as other less tangible but equally important outcomes."

Isis is the biggest instrument of the Rutherford Appleton Laboratory of the Science and Engineering Research Council. To quote the council's chairman, Prof Bill Mitchell, it is "the most advanced source of this kind in the world."

It has taken seven years to construct, cost £60m, and uses existing equipment worth another £50m.

Isis generates bursts of neutrons, a nuclear particle which, because it has no electrical charge, passes easily through matter. Isis does this by accelerating a beam of protons to very high speed and crashing them into a target of heavy metal, such as uranium.

The collisions release neutron "rays" in bursts at the rate of 50 a second. These neutron rays are a powerful way of illuminating the structure of many non-crystalline materials – including plastics, ceramics and biological materials – to allow scientists a much closer look.

Neutron beam science has been an increasingly rewarding way of investigating materials for the past 15 years. The work of over 400 British scientists is today being co-ordinated by Prof Leadbetter, head of the Rutherford laboratory's neutron division, which has access to a neutron-beam reactor in France, and is just beginning to use Isis.

In the early 1970s there was a brief flurry of interest among British neutron scientists in the idea of building a new research reactor at Harwell. As a first step, they negotiated a share of a Franco-German joint project, the Institut Laue-Langevin at Grenoble in France. The basic instrument of this instrument is a neutron beam reactor.

The terms of Britain's entry to this "club" – which included repaying its partners for part of the construction cost – recognised its claims to host a bigger neutron beam reactor with access to more and more powerful beams.

But by the mid-1970s accelerator technology had advanced to a point where pulsed proton beam currents were high enough to generate neutrons by the "spallation" process. Spallation is a nuclear reaction in which particles such as neutrons are ejected from a target by the protons.

In 1976 the Rutherford laboratory advanced ideas for building a spallation neutron source out of its ageing Nimrod accelerator. This machine, now renamed Isis, delivered its first neutrons just a year ago.

For the scientists, such neutrons are completary to, rather than competitive with, neutrons from the Grenoble reactor. They expand opportunities for the neutron researchers, and discussions about a new reactor simply faded away.

Isis is Europe's first source of neutron pulses for neutron scattering experiments. Three other sources already exist – at Tsukuba in Japan, and at the Los Alamos and Argonne laboratories in the US. But all three are much feebler sources of illumination, says Prof Leadbetter.

The Partnership in action. From left to right: Bernd Dublinksi, Corporate Controller for Pepsi in Germany; Curt Schade, Chase Service Products; Dietrich Kube, Chase Relationship Manager; and Roland Behringer, Accounting Manager; Pepsi in Germany.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

US Steel in transition

Stepping on the gas

Terry Dodsworth and William Hall examine the effects of an industrial retrenchment

DAVID RODERICK, the unflappable, slow-speaking, 61-year-old accountant who runs US Steel, hardly fits the conventional image of the ruthless company doctor and corporate hatchet man. Yet in the six years since he became chairman of the Pittsburgh group, he has done more to shake up the rambling conglomerate of steel mills, coal mines and shipping lines than any man since Andrew Carnegie and J. P. Morgan, the legendary manufacturing and banking tycoons who put it together 84 years ago.

The restructuring of US Steel is now scheduled to take another major step forward with the proposed acquisition of Texas Oil and Gas, one of the most successful gas exploration and distribution groups in the US. Its relatively young and highly entreprenurial management is already being tipped to play a *key role i nthe upper* echelons of US Steel.

If investors approve of the controversial all-share terms for the Texan concern, it will ram home the extent of the decline of one of the historic pillars of the US industrial establishment. The group is already classed in the oil section of the Fortune 500 lists, a consequence of the \$6.4bn takeover of Marathon Oil, and has shrunk to a shadow of its former self with a stock market capitalisation of \$3.3bn as against Exxon's \$41bn and IBM's \$83bn.

Diversification into oil and gas, however, is only part of one of the most comprehensive corporate retrenchments ever launched in the US, as Roderick has tried to turn an ageing, bureaucracy-ridden organisation into a markot-oriented competitive company.

"As the chief architect of the *'new' US Steel, Roderick's goal* has been to turn the company from a money-losing behemoth . . . into a profitable, streamlined, natural resource company with two major divisions —Stel and Oil," says Michelle Applebaum, an analyst at Salomon Brothers.

Tha steel group has still not emerged from this shake-up, but it is already a vastly different organism from the one that Roderick inherited. He has slashed *steel-making* capacity from around 38m tons a year in 1979 to 26m tons today. Just over \$3bn (£2m) worth of assets have been sold, raising the cash that has kept the company alive through one of the worst market slumps on record.

US Steel has divested all its cement works, a large part of its shipping and barge fleet, a great chunk of its forests, and a substantial slice of its coal mining business. In 1981 it wrote off around \$650m, and in 1983 it took a further whopping charge of \$1.15bn, as it consigned many of its oldest plants to the scrap heap. Roderick, unlike the production men who used to run US Steel, has shown no sentiment—one of the plants to go in the last round of closures was the mighty Duquesne works down on tha Monongahela valley, the heartland of Pittsburgh Steel.

The Roderick era has displayed a similarly unsentimental approach to labour. Back in 1979, at its peak employment level, the company employed 172,000 workers. Today, including the Marathon payroll of 20,000, it has a workforce of only 88,000. Its pensioners now outnumber its active employees by about 2 to 1.

At the heart of this redirection of US *Steel was* a *defensive* strategy designed to protect the group from the uncertainties which had suddenly begun to cloud the horizon of the American steel industry in the late 1970s.

Roderick has been heavily criticised for not making a more adventurous acquisition than Marathon. But in many ways it was the perfect match for a fallen steel giant. It was big enough to make an impact on a very *large company,* it held out the promise of steady, if not spectacular earnings, and it gave the balance sheet an ample cushion to absorb heavy write-offs in the steel sector.

"Like Marathon, Texas Oil and Gas is excellent for the group because—it takes it so far away from steel that it can afford to take the right decisions about what to get rid of," says William Shields, who runs the Raritan mini-mill in New Jersey. "The balance sheets of some of the other big steel companies will just not take a write-off."

US Steel has also been attacked for buying Marathon shortly before oil prices began to plummet. As a result of the decline, tha energy group has not generated cash as quickly as anticipated, with the result that the \$7bn of debt inherited from the Marathon acquisition period has remained stubbornly high over the last three years. Instead of the oil business providing surplus finance for the steel restructuring, much of the funding of the reorganisation has had to come from the proceeds of asset sales.

Even so, the oil group has paid its own way after interest and overseas taxes are taken into account, and has generated *sizeable operating profits*—an average of \$1.2bn a year—when the rest of the business has been largely in the red. In the current year, some analysts believe operating profits could rise to around \$250m, but they will be totally overshadowed by the Marathon contribution which is now accounting for over half of US Steel's \$20bn a year in sales.

The energy operations have also protected the group when the rest of the US Steel industry seemed to be withering away under the combined blast of the 1981-82 recession, the steady substitution of steel by other materials and the unprecedented flood of imports—standing last month at around 30 per cent of the market. At a time when most of the steel companies were passing their dividend, US *Steel felt sufficiently* confident earlier this year partly to restore its payout.

Since 1982 America's steel barons have lost a combined \$7bn, provoking serious doubts about the survival of many of the grand old names in the industry. But US Steel has used the time bought by the Marathon acquisition to tackle its cost structure, the main factor behind the devastating drop in its market share from 21 per cent in 1979 to 16 per cent in 1983.

The haemorrhage of US Steel's traditional business is being brought under control by the combination of drastic closures and new managerial blood. Although Roderick has run into bitter criticism ovar the social devastation that the closures have caused around Pittsburgh, now a sad sprawl of rusting blast furnaces and abandoned mills, few in tho industry challenge the policy. The company can now produce a ton of steel with around fiva hours of labour against almost 11 in 1982. Also its operating costs in the first half of tha year were about \$10 per ton below its competitors', and averaged a whopping \$116 per ton less than three years ago.

A great deal of the credit for thesa changes go to Tom Graham, an iconoclastic, hands-on manager, who made his name revamping the LTV steel group. Under Graham, investment has been concentrated on a few key areas and management given its head. The bureaucratic reporting systems are gradually being cut out and more emphasis put on local initiatives.

It is only a *matter of time,* analysts believe, before plant-by-plant wage bargaining follows. This more responsive version of the old US Steel monolith is also making history by forging new alliances. It tried to merge with National Steel, a move which was eventually scuppered by the anti-trust authorities, but it has since signed a joint production agreement with Ford's Rouge Steel.

The group's strategy on the steel side, however, still remains essentially defensive. As the shakeout in the US industry continues, it is by no means clear as yet what its future role will be; indeed, Graham has himself speculated that the US may become mainly a finisher of imported steel.

Against this uncertain background for steel manufacturing US Steel *is now clearly gearing* up to try and screw down its costs through a round of wage cuts.

In this context the acquisition of Texas Oil and Gas adds yet another defensive element to US Steel'a posture. Indeed, John Tumazos, of Oppenheimer, believes that with the Texas gas gatherer under its belt US Steel could endure a lengthy strike without any meaningful financial damage. Although a much *smaller company* than Marathon, and currently facing a severe profits squeeze because of the natural gas glut, the addition of its reserves will increase US Steel's overall gas position by over 50 per cent and give its earnings a considerable boost when US gas prices eventually begin to recover.

Yet Wall Street is far from enchanted by the deal. Since the two companies first announced they were in merger talks US Steel's shares have fallen by 4 per cent and Texas Oil and Gas shares have fallen by 8 per cent, at a time when the Dow Jones industrial average has risen by 9 per cent.

In part, this reaction stems from arguments over prices. US Steel could very well be looking at earnings dilution next year because the group will be roughly doubling its 123m shares in issue, at a time when Texas Oil's profits are in decline. But the attitude also reflects the *financial* community's current obsession with short-term performance and break-up values.

In the past year or so, the steel group has been coming back into favour as a recovery stock which could announce spectacular earnings improvements as its debt reduction programme begins to bite—it still has \$600m of assets up for auction. At the same time, as *its steel* production costs come down, any suggestion that the president's programme of steel quotas was beginning to cut imports and lift prices could have a magical impact on profits.

This is also a scenario which makes US Steel an obvious takeover candidate. Companies coming out of a restructuring with disposable assets and a depressed share price are the sort of thing of which Wall *Street* rumours are made, and there have been several of those recently. Hence some of the disappointment over the proposed deal. US Steel will be a less digestable target, assuming the takeover goes through.

There is also a school of thought on Wall Street that argues that the prima motivation from Texas Oil and Gas's side is to avoid a hostile takeover by getting into bed with a large and friendly partner. Roderick, for his part, stresses that US Steel is thinking for the long term. "We did not buy the company for what it is going to do in 1986 or 1987 or 1990 —we bought the company because we are satisfied that it is the premier natural gas finder, gatherer and distributor, and has a tremendous future."

And Roderick is not finished yat. He confirmed tha other day that he is still thinking of a further acquisition—the "third *leg*" of the *company* that he *has* promised to add before his retirement in 1989.

LTV (steel making capacity 18.6m tons) merged with Republic Steel Corporation last year in a bid to reap significant economies of scale but tha benefits are taking longer than expected to show through. It has omited its dividend and is trying to sell some of its businesses and reschedule its debts to ease its cash crunch.

BETHLEHEM STEEL (capacity 17.6m tons) stuck to steel, while others diversified, and over the past decade has invested heavily, cut capacity by a third, and nearly halved its workforce. Losses of \$1.9bn since 1981 have knocked down book value of shares by 70 per cent and in October the company passed its dividend.

INLAND STEEL (capacity 9.3m tons) has only one plant, the Indiana Harbor works in East Chicago, and is in stronger shape than many of its rivals but it recently passed its dividend. Plans to cut capacity by a third to 6.5m tons a year over the next six months.

ARMCO (capacity 7m tons) was one of the first major steelmakers to diversify but ran into serious problems, particularly in insurance. After losing \$1.3bn in the past three years, shrinking its steelmaking capacity by a third and passing is dividend, the company is concentrating on making steel but is a shadow of its former self.

NATIONAL INTERGROUP (capacity 5.9m tons) has been trying to diversify out of steel and last year sold a half share in *its* National Steel business to the Japanese. However, falling steel prices torpedoed a friendly merger with fast-growing Bergen Brunswig, a wholesale drug distributor, and for most of 1985 has been fighting off an unwanted takeover bid from a corporate raider.

WHEELING - PITTSBURGH (capacity 3.5m tons) is in the most serious financial trouble although claims to be one of the most efficient steel producers in the US. Had to borrow heavily to modernise and in April filed for bankruptcy. Plans to slash wages led to a bitter three-month strike earlier this year which was only solved after management was ousted by Allen Paulson, a wealthy investor who owns more than a third of the equity. Whether the group can survive will depend on *its* bankers.

David Roderick: masterminding a steady substiution of steel by other materials

Management abstracts

A multinational approach to new product development. J. Espey in European Journal of Marketing (UK), Vol 19 No 3 (13½ pages)

Describes how International Distillers and Vintners blended their new product development and R&D departments and set up a group marketing division charged with the central marketing direction of new product development in any of the multinational's member companies. Points to the roles of a new brand champion, and of a "resident madman" who provides protection for the new product development team, and liaises between the team and mainstream management. Illustrates how the new structure worked effectively in one successful *development* — Baileys Irish Cream—which originated from an Irish subsidiary.

Confessions of a so-so controller. D. F. du Toit in Harvard Business Review (US), July/August 1985 (4 pages)

A successful entrepreneur confesses that during 12 years of growth he allowed his organisation—Classic Holdings, a South African cookware manufacturer—to get out of hand (with salespeople *writing* fake orders, cashiers borrowing monay, workers walking out with spare parts); explains how he faced the emotional wrench of tightening the administration by hiring top-notch managers, and delegating authority and responsibility.

Management development. B. Smith in Human Resource Management Australia (Australia), May 1985 (10 pages)

The former manager of human resource devolopment for Mobil integrates management development with the overall business development. This involves translating the perceived needs of the business into a manpower plan, embracing recruitment, training, appraisal, and motivation at all levels, by seeking answers to a series of questions, such as "how many and what sort of people do we need?"; provides many *supportive* diagrams; tabulates the aims, recipients, content, and method of Mobil's various management-development programmes.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley, HA9 8DJ.

THE ARTS

Television/Christopher Dunkley

Earth-bound morality

Some startingly effective single plays were written for television in the 1960s by David Mercer, Dennis Potter and a few others. In the 1970s and 1980s we have seen a number of impressive TV-movies, mostly American, though Channel 4's "fiction" policy of putting its drama budget into small movies has also resulted in a handful of worthwhile TV/cinema hybrids. But it seems increasingly clear that the format best suited to the presentation on television of imaginative ideas from creative people is not the single dramatic work, but the drama serial.

Precisely why we should find this episodic format with its cliff-hanger hiatuses so attractive is a question which could keep whole polytechnics full of sociologists busy for decades. It probably will. What is quite clear is that we do enjoy it — yet in its very best form, where it deals with modern life and today's problems, television offers it to us all too seldom. Series such as *Boys from the Blackstuff* or *Muck and Brass* are notable for their rarity.

Edge of Darkness, which has just finished its first run, is an outstanding example of the genre. It was written by Troy Kennedy Martin who is still best known in Britain as the creator of *Z-Cars*, though he now lives in the US and writes movie scripts. The producer was Michael Wearing who also produced *Boys from the Blackstuff* and the computer-crime serial *Bird of Prey*. Its initial transmission was in six episodes of 55 minutes on BBC 2, but it will be repeated next week on BBC1 on Thursday, Friday and Saturday in three long episodes which may suit the work even better.

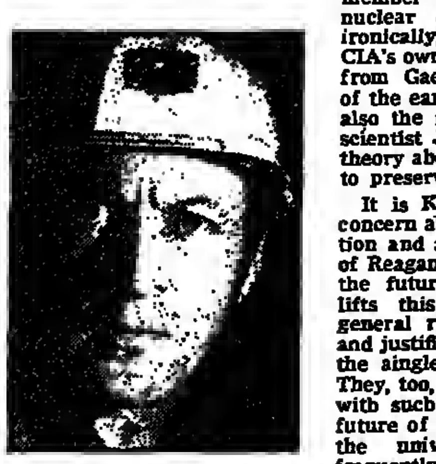
In some respects *Edge of Darkness* is highly conventional. The central character is Ronnie Craven, a Yorkshire detective played with cool control by Bob Peck (looking like the twin brother of *Daniel J. Travanti*, the precinct captain in *Hill Street Blues*). In a superbly well-written opening episode Craven's student daughter is shot dead. After a period of *paralytic shock* Craven *suffers* awful bereavement and then sets out to investigate her killing unofficially, using the skills and contacts of a policeman.

The detective with a personal *score to settle is, of course, a* Hollywood favourite. His need to fight not only the bad guys but a corrupt establishment is also familiar. And the decision of the authorities to turn a *cynically blind eye to his* activities and exploit his determination is a well-worn ploy.

But Kennedy Martin, Wearing, and director Martin Campbell bring the plot to a new pitch of intensity by revealing collusion and conspiracy at ever higher levels: first regional police and union bosses, then the British government, then the American government, then the entire international *military-industrial* complex.

There are other conventional elements: spooky hide and seek in underground passages almost reminiscent of the Famous Five, and an awful lot of heavy rain of the sort we know from spy thrillers, such as *Tinker Tailor Soldier Spy*. Furthermore, as in many stories of this sort, plotting around some of the peripheral characters seems so complicated or obscure that it is hard to follow.

In such ways *Edge of Darkness* is a pretty standard piece of work, yet in other respects it is far from ordinary. Eric Clapton's plangent theme music on electric guitar is unusual and *extraordinarily* effective. The action sequences—breaking into the MI6 computer while the police pound through the building, and finding the "hot cell" underground, an astounding location—are written, directed and edited (by Dan Rae and Ardan Fisher) with splendid tautness.


Bob Peck

Stylistically the serial is full of graceful and amusing *touchés*. For example the dialogue is often better than we expect in work of this sort. "What do you know about a man called Pendleton?" asks Craven. "Not much," says his boss. "Drives a green Mercedes and parks in other people's spaces. Drinks with the SAS in Wellington Barracks."

Most of the downright funny lines are given to Darius Jedburgh, a buffalo of a CIA man played with the stops out by Joe Dan Baker, half comic half sinister, in a performance that puts one in mind of Marlon Brando on anabolic steroids and speed. Just returned from some deadly mission Jedburgh settles down in front of his cassettes of *Come Dancing*. "Nobody dances like the British" he says with a huge smile. "They deserve the Falklands."

Right from the start, in Episode 1, there are hints at the most unusual of all the elements: Craven talks to Emma, his dead daughter, and even sees her. We see her. Emma, a left wing student, serves as the conscience of the world, and as Craven begins to understand the size and significance of the plans which she discovered, he is radicalised by the experience and starts to lose his automatic respect for authority, law, the government and so on. He begins to identify with planet earth rather than the *factions* upon it.

Kennedy Martin cleverly saves until the very end the true significance of what he uses Emma to hint at throughout the first five episodes. Emma was a member of GAIA, an anti nuclear organisation (started, ironically, by Jedburgh for the CIA's own ends) taking its name from Gaea, the personification of the earth in Greek myth, but also the name given by NASA scientist James Lovelock to his theory about the planet's ability to preserve itself.

It is Kennedy Martin's deep concern about nuclear proliferation and about the implications of Reagan's Star Wars plans for the future of mankind which lifts this series out of the general run of crime thrillers and justifies its comparison with the single plays of the 1960s. They, too, were often concerned with such large matters as the future of man or the nature of the universe, though they frequently used more pretentious and less popular forms than the police thriller as their vehicles.

As it happens I find myself *in the end on the opposite side* from Kennedy Martin. At the heart of his serial, it seems to me, is a soft, effete, albeit fashionable form of feminism. His reactions to the nuclear age are primarily *fear*, obscurantism, and an instinct to turn inwards and *seek* the comforts of mother earth; that which is known.

I do not decry his mysticism. I suspect there may well be something other than chance in the way that three things have occurred virtually simultaneously in history: the population explosion, mankind's discovery of the means to destroy the planet, and space travel. The difference between us, judging from *Edge of Darkness*, is that if we were faced with the awful prospect of risking a major disaster for the human race in a bid for the knowledge of how to escape to another solar system—which is one interpretation already given to the Star Wars project—I hope I would have the guts to go for the risk and reach for the stars. Kennedy Martin, I suspect, would want me to join the Greenham wimmin in weaving woolly spells and singing fey songs in the hope that Gaea would save us all.

None of that alters the fact that he has written a series which is thoughtful, exciting, and highly entertaining.


Alastair Muir
Ian McKellen (left), Hugh Lloyd and Sheila Hancock

The Cherry Orchard/Cottesloe

Michael Coveney

Any objections to the National offering yet another version of Chekhov's masterpiece are utterly routed by the freshness and vigour of Mike Alfreds's production for the Ian McKellen/Edward Petherbridge group which is now an identifiable ensemble burnished in the fire of Webster, Stoppard and Sheridan. Will it sustain *itself* for another year? The National will be very much the poorer if it does not.

Alfreds presented this translation (his own, made with Lilia Sokolov) three years ago in a *frantically neurasthenic*, emotionally undernourished Shared Experience comic caper. In the Cottesloe, Yepikhodov's squeaky boots and a jumpily excited opening exchange between *Dunyasha (Selina Cadell)* and Lopbakin (McKellen) sets a mood of flurry and skittering reunion for the arrival of Sheila Hancock's superbly resonant and commanding *Ranyevskaya*, a *woman for* whom the burden of past memories can be obliterated only in present trivialities.

The production's wonderful overall control of mood and atmospheric temperature, within which an array of superb character portrayals is unleashed, is what distinguishes it from the previous NT productions of Michael Blakemore and Peter Hall. In fact, I rate this *Cherry Orchard* among the best of the past 10 years alongside those of Peters Gill and Brook. Alfreds's usual style of unblocked movement might yield violently different versions on different nights; but I should think this production is strong enough only to thrive on such adjustments and inventions as might occur.

As before, Alfreds uses the scene, cut by Stanislavsky after the Moscow Art Theatre first night, in which Charlotta and Firs ponder their respective lonely statuses in a strange, crucially informative and affecting coda to the Anya/Trofimov love scene. It is an essential part of the nomadic variations in the play and gives real power to both Hugh Lloyd's doddering old retainer and Julie Legrand's melancholic governess (whose tricks and cartwheels are not just breathtakingly good in themselves but a brightly manufactured smokescreen to camouflage inner torture).

The passer-by too, is obviously a frustrated travelling actor, for Alfreds, like Michael Frayn in the last NT version, gives us considerably more than just the first line of Nekrasov's poem, and Peter Needham only prompts Varya to scream as he passes the hat round after a civil declamation. Throughout, there is a sense of organised diversionary revel accelerating into nightmarish panic. The third act dance leads to the *hilarious sight of Roy Kinnear's* Simeonov-Pischik retracing his steps in between heart flutters to track down his money, and the desperate tugging at Ranyevskaya's dress ("Take me with you . . . It's so boring") by Jonathan Hyde's finely chiselled and serpentine upstart Yasha.

The continuous bubble of shared laughter hovers over *these scurrying, insecure creatures* among whom McKellen's Lophakin moves like a relaxed poacher biding his time. He is annoyed then amused when his warnings are ignored. And his takeover of the cherry orchard where his ancestors worked as slaves is announced in a boyish drunken stupor with just one tiny muted explosion to indicate the enormity of his invasion before he subsides into the general melée.

I have often bridled at Shared Experience's whimsical vein *of* acting and design, but as Alfreds applies his techniques to Gogol, Marivaux and Chekhov, the early experiments in narrative and ensembel improvisation are paying off handsomely. The sets, *costumes* and lighting of Paul Dart have a persuasively simple sophistication about them, the walls and ceiling of the beloved house represented by shimmering white *curtains* backing on *to* a box surround of blue vistas and cotton wool clouds of cherry blossom. Clothes are beautifully designed in organised gradations — greens, creams and yellows for the *garden*, red and purples for the dance, cold greys and mauves for departure —and worn with a style not often seen outside a Philip Prowse production.

Greg Hicks is a very funny, pallidly earnest and clumsily elegant Yepikhodov, Claire Moore an excitable Anya to Laurance Rudic's eternal student Trofimov, and Edward Petherbridge a *gaunt and finical* Gayev. The succession of brilliantly conceived last act farewells includes the sullen thud of McKellen's to Eleanor Bron's buttoned-up Varya, and the *heartbreaking pathos* of Roy Kinnear's to Miss Hancock. I fear that tickets at the Cottesloe are going to be hard to obtain.

Cupboard Man, White Rose

Martin Hoyle

Islington's own artistic powerhouse, the Almeida, has brought two of last summer's Edinburgh successes to London. Michael Coveney commented enthusiastically on both. *Cupboard Man* is a wholly compulsive adaptation of a characteristically macabre short story by Ian McEwan; *White Rose* is based on a book about Lily Litvak, girl fighter pilot for the Soviet Army. Both reflect, *en passant*, the British theatre's unabashed emphasis on the verbal, indeed, the literary.

Phelim McDermott performs the McEwan monologue sometimes in and sometimes out of a wardrobe. He recounts a cripplingly over-mothered childhood, enforced growing-up, bullying by a sadistic workmate (being shut in an oven strikes an ominously welcome chord) and eventual imprisonment for shop-lifting: all inexorably leading to his permanent retreat into the cupboard. Mr McDermott rings the changes with perfectly-judged tone and timing, abetted by Julia Bardsley's production, dramatic but never merely theatrical. The background music includes Johann Strauss as well as Glass, Ligeti besides the Bath Pump Room Trio, and captures the hint of sinister blackness beneath the chiselled, prosaic surface of the prose with its deceptively banal tone.

The latter part of the evening sees the Traverse production of Peter Arnott's play about the Russian girl pilot who became a heroine in the defence of Stalingrad, falling in love with a male colleague (played with nice glum, throw-away naturalism by Ken Stott) and leaving her devoted female engineer, Ina, slightly the sourer for the experience.

Sexual prejudice of the time is touched on, though Ina is a mouthpiece for some essentially modern feminist-sounding sentiments; and a direct address to the audience to take in Ireland, South Africa and the British coalfields as part of the 1942/43 struggle seems less special pleading than mere opportunism. But the 23-year-old playwright can mix private chat and portentous debate with great skill; and predicts the age of "the superstitious technocrat" ready to trust his machine but not his mechanic all too accurately.

"They're planning the next war for fascists to fight and no one to win," is the downbeat message, after some didactic chess / arms-race metaphors. Stephen Unwin's direction evokes some perfect playing (an over-reliance on proud, serene smiles apart) from Kate Duchene and Tilda Swinton.

Meanwhile the Almeida faces its own siege, still waiting for financial news from the Arts Council. It would be an outrage if one of London's artistic success-stories of the past few years had to curtail its activities. Still, a new David Rudkin play, *The Anglo-Saxon Shore*, has just been announced for February, starring Gerrard Murphy: a combination that South Bank and Barbican would envy, with all their subsidy.


Alastair Muir
Phelim McDermott in "Cupboard Man"

Le nozze di Figaro/Covent Garden

William Weaver


Alastair Muir
Yvonne Kenny and Jonathan Summers

Though it is close to 15 years old, this production of *Figaro* remains remarkably handsome and fresh — too fresh, at times, for some tastes, as the japery and sight-gags distract from the music. But, after all, opera — *this supreme work, especially* — is about singing; and for the current revival, which opened on Monday night, the Royal Opera House has assembled an admirable, largely unfamiliar (at least in this theatre and in these roles) array of gifted artists.

Central to the success of the evening, which ended with deserved cheers, was the Figaro of *Jonathan Summers*, worthily matched by Yvonne Kenny's Susanna. Summers, with his flashing eyes, infectious grin, lithe grace, could also, when appropriate, convey the bitterness, *the* resentment that are essential elements of the character. This was a Figaro, too, who existed always in relation to those around him, in particular to Susanna, pert and bright, just a bit bossy, totally loving and lovable (and in clear, sweet, appealing voice). They were very much a real, Mediterranean couple.

Throughout John Copley's staging (and thanks also to the coherent sets by Sefanos Lazaridis) there was a sense of a household; the actors were people who know one another, with all the reciprocal knowledge, the grudges and affections that long cohabitation creates, and throughout the household the quicksilver personality of Cherubino runs like a linking thread. The Swedish mezzo Anne Sofie von Otter (in her Covent Garden debut) was just about irresistible. Lanky, boyish, she wore Michael Stennett's elegant costumes with natural style. *Vocally*, too, she was supple, incisive, musical (the Second Act aria was outstandingly effective).

Singing the role of the Countess in the house for the first time, Anna Tomowa-Sintow was somewhat disappointing. The voice was murky, much less interesting than on other occasions; and the characterisation was questionable. *This Rosina was full* of fun, ready to toy with Cherubino — allowing him to go much farther than is usually the case — but the basic melancholy of the woman was virtually absent, and "Porgi amor" suffered thus from a lack of emotional focus.

The other debutants — J. Patrick Raftery (Count) and Günter Missenhardt (Bartolo)—proved to be obviously talented singers, though neither seemed quite in his role. In the case of Missenhardt, the uneasiness may have stemmed from the production, which made him more menacing than comic. Raftery sang well consistently, but after a promising First Act, his Count became a petulant, prancing, generic impersonation.

A word of praise for the smaller roles, for the frisky Barbarina of Linda Kitchen, the Dickensian Marcellina of Patricia Johnson, the classic Curzio of John Dobson and the delightful caricature Basilio of Kim Begley. The conducting of Colin Davis is a known quality. Now and then, a bit more sparkle would have been welcome; but the orchestra played *beautifully;* and, all in all, *this* was Mozart on a very high level.

Fairfield Quartet/Purcell Room

Andrew Clements

First impressions of the Fairfield Quartet in 1982 were extremely favourable—a confident, polished group that had already established an impressive unanimity of tone and ensemble. Further appearances, including a concert in the 1983 Park Lane Young Artists series, confirmed that *initial* opinion, but more recent reports of their progress have been less encouraging.

Monday's programme in the Purcell Room unhappily tended towards the Quartet's recent form rather than its earlier promise, though there were signs that the current difficulties might with care be overcome. In Mozart's C major Quartet K.465 the tonal blend that once seemed to come so naturally entirely deserted their playing, and with it went much of their poise. Phrase ends were untidy; the minuet in particular was a rough ride. And though parts of Beethoven's Op 59 No 2 showed admirable solidity and good sense, all the movements were spotted with uncertainties, as if suddenly the players had discovered that quartet playing was hard work.

Much the best part of the evening was Janacek's Second Quartet. It is always a hazardous work in performance, for it constantly threatens to shatter into its component pieces. There was no danger of that here: the structure was always taut, the gestures sharply profiled, the chording and intonation precise. The lack of mannerism or extraneous emotion was absolutely right, and with the expressive discipline a good deal of the group's technical confidence returned too. When they play with such concentration and freedom the Fairfield can still sound like a young quartet to follow.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 6–12

Theatre

LONDON

Noises Off (Savoy): The funniest play *for years in London*, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (*Apollo Victoria*): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Guys and Dolls (Prince of Wales): The *1982 National* Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady. Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

NETHERLANDS

Amsterdam, Bellevue Theatre. The English Speaking Theatre of Amsterdam presents William Gibson's bittersweet comedy, Two For The Seesaw. Maxine Resnick and Grant Coburn directed by Svarupa. All week except Thur. (247 248).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight *years but also updated the musical* genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

Woman and Water (Arena): The latest instalment in playwright John Guare's American Civil War tetralogy *follows further adventures of* Lydie Breeze in mid-19th-century Nantucket. Ends Jan 5. (488 3300).

CHICAGO

King Lear (Goodman): *The Stratford* Festival of Ontario production puts Lear in a rustic setting that looks much like the North American frontier. Ends Dec 22 (443 3810).

TOKYO

Noh: There are performances at most of Tokyo's Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores give summaries of plots.

Saleroom/Antony Thorncroft

Arundel marbles unsold

Christie's had a disappointing experience yesterday with the marbles from the Arundel collection. It was selling, on behalf of the Marian Fathers and Lord Burnham, some pieces of marble brought to this country by the 2nd Earl of Arundel in the early 17th century.

They were among the first classical antiquities shipped to the UK by an aristocratic collector. The marbles were dispersed by his heirs and some were lost for centuries before being spotted by Denys Haynes of the British Museum. The most important find was part of the Fallen Giant from the frieze of the great altar of Pergamon. *This fragment* was unsold yesterday at £180,000. A marble bust of Antonnine Prince was bought in at £100,000.

This section of an antiquities auction totalled just £52,963. Ars Antiqua paid £14,000 for a headless draped statue of a goddess and £11,880 for a 4th century AD fragment of a Christian *sarcophagus*.

In the general sale, which totalled £257,926 with 29 per cent unsold, the Swiss dealer Becchina paid £91,800, around double the estimate, for an Etruscan bronze figure of a striding warrior of the 5th century BC. A Greek marble upper part of an anthropoid sarcophagus, 4th century BC eastern Mediterranean, sold for £30,240.

Sotherby's met with selective bidding at is Chinese sale and the morning session was 28 per cent unsold. But Eskenazi paid £143,000 for an archaic bronze covered vessel, late Shang, and a bronze ritual food vessel and cover of the same period sold for £115,500. A Tang Fereghan horse was on target at £67,100.

The ceramics did well in the afternoon. Robert Chang, the Hong Kong dealer, paid £286,000 for a rare Yuan blue and white Meiping and cover of the late 14th century, while a blue and white stem cup of the period of Xuande did well at £94,600.

Phillips kicked off the week of Old Master sales in London with an auction which totalled £426,400, with 21 per cent unsold. The top lot was a casualty, "The Madonna and Child" by Sano di Pietro, being bought in at £62,000, even though the price was within the pre-sale estimate. Drown paid £38,000 for a river landscape by Lucas van Valkenborgh and a pair of birds, by Jacob Bogdani, did well at £30,000. Wengras bought a Goyaesque pair of pictures by Eugenio Lucas y Padilla for £28,000, and Rich a still-life of fruit by Jan Hendrik Fredriks for £24,000.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Wednesday December 11 1985

Living with petro-sterling

STERLING has initially be-baved very well in response to the Opec meeting wbicb effectively abandoned the Opec role es residual supplier to a fixed-price market. The chances of a substantial fall in the oil price are higher than before and this has clear implications for the UK current eccount. An *adjustment* in the excbange rate in these circumstances is natural; the fact that the pound seems to have traded relatively calmly after its sharp fall is encouraging. Tbe reaction from the authorities also looks eppropriate. Thia is not the moment to run any risks with interest rate cuts, as the Prime Minister pointed out yesterday, but lt is not the moment for panicky attempts to resist market forces, either.

While it is far too early to be sure tbat the adjustment will continue smoothly, there is one firm ground for optimism. Almost no scenario facing the markets has been so thoroughly rebearsed as an oll prlce fall. The oil industry ltself, after trading for a fall by running down stocks, baa recently been rebuilding them. This does not suggest that they are expecting any major fall in addition to tbat already implied by the decline of the dnllar.

Open discussion

The financial markets have also been well prepared, with a host of rival simulations of the impact of a prlce fall, inclnding one from the British Treasury itself. This open discussion has helped to ensure that the market's expectations are, so far as such things can be managed, rational, with a rough consensus on tbe appropriate adjustment to new facts. In such a market, prices can be expected to respond very qulckly to news but without the large overshoot which is characteristic of swings in speculative sentiment.

This should mean that the British Government can concentrate lts attention on long-term strategy rather than attempts at short-term market management, but in this respect it is bard to be so optimistic. The one, admittedly all-important, policy response to the build up of North Sea revenues was to abolish exchange controls, leaving investors aa well as oil companies free to form a private sector strategy; but now that tbe exchange rate is somewhere near the centre of UK monetary policy, and wbile a steady reduction in borrowing remains a prime fiscal target, the Government cannot adopt an equally *hands-off approach* to declining revenues. There is little evidence that the question has been thought through in Whitehall.

The first judgement which has to be made is whether the oll market is temporarily glutted, or whether tha long-term elasticity of demand—the slow but cumulative response to high energy costs — is likely to mean weak demand for e long time to come. Tbe fact that the market has not stabilised after so sharp a fall in the value of the dollar, and thus in the non-dollar price of oil, is, at the least, suggestive.

Long-term stability

Since Opec's problems, and the world over-supply, have reflected the rapid growth of high-cost production outside the cartel, lt seems plausible, if no more, to suppose that prices will stabilise for the long-term when they have fallen far enough to discourage the exploration and development of high-cost marginal sources of supply. This would have profound implications for the UK in the long-term, largely regardless nf whether this entails a modest price adjustment or a sharp one. lt would mean that North Sea output would fall more steeply in the next decade than is at present envisaged, as exploration and development slowed down.

In short, the task of restoring the balance of non-oll trade —implying a swing, mainly in manufactures and services, equal to about 4 per cent of total trade—may be facing the UK sooner rather than later. The exchange rate adjustment, which should help to restore competitiveness, is a necessary part of this task; the challenge for policy is to resist lnflation and so maintain competitiveness, despite this adjustment. When adequate competitiveness can be combined again with a stable exchange rate, the Government will be able to claim that it has played its part.

Argentina sets a legal precedent

THE RULE of law in developing countries is more bonoured in the breach than in the observance especially where the military are concerned. Thus the successful completion of the trial of Argentina's former junta leaders ecquired e significance well beyond that of domestic Argentine politics.

It is the first time that civilian courts ln a developing country have tried their previous military rulers by due process of law. This reflects great credit on the catuious and higbly skilled restoration of democracy in Argentina carried out under the aegis of President Raul Alfonsin, wbo thia month celebrates *two years* in power.

As a precedent, the trial offers a thin ray of hope for all those whose rights, and lives, are abused by military regimes. Examples do have an effect. For instance, Spain'a remarkably peaceful transition from dictatorship to democracy after Franco'a death in 1975 has hed a ripple effect throughout Latin America and bas served as a guideline of wbat is possible, not least in Argentina.

The trial involved nine of the most senior members of the Argentine armed forcea wbo seized power in 1976, and the cbarges concerned their conduct during the "dirty war." Over 9,000 people disappeared and thousands mnre were kidnapped or tortured in the milltary's brutal crusade against left-wing aubversion.

Political

The decision to prosecute was unashamedly political. President Alfonsin *wanted to* bring the military to eccount as an essential element in the re-establishment of democracy. He believed that only by hearing througb court evidence the atrocities and cruelty of their former lesders, could Argentines oppreciate the value of the democratic system. Furthermore he felt correctly that, if the milltary bsd been allowed to return qulctly to barrecks it implied weakness of civilian power.

The government was responsible for setting some of the rules, in particular that the prosecution be limited to the most senior junta members on the grounds that they were responsible for the *system* that produced the crimes. But from here on matters have been in the hands of the court.

This is reflected in Monday's sentences. Four acquittals is far from what the prosecution thought might be the outcoma and is a disappointment to the buman rights activists. Yet a careful look at the sentences reveela a solomonic judgment from the court. Those punished most heevily were clearly the worst culprits—former President Videla and Admiral Massera; and the ones acquitted. including the last military president, General Galtieri, were lesser actors in the abuse of buman rights.

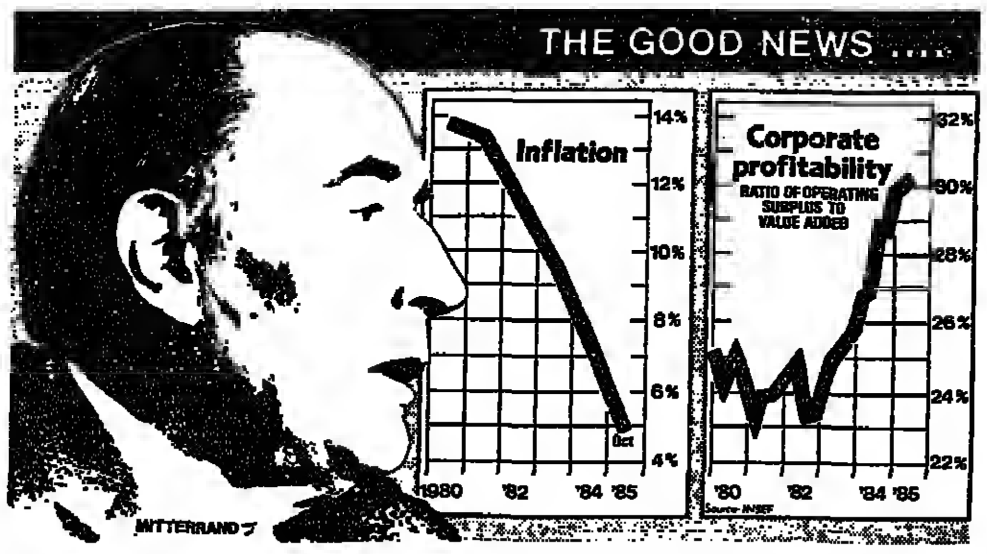
Taboo

The principle of military accountability has been established in an exemplary way. But the sentences also provida the military with some solace. The four acqulttais prove the court was nnt engaged on a political vendetta.

Civil society in Argentina has demonstrated it can act with justice — not vengeance — to rigbt the wrongs of its military rulers.

In this instance, the legal basis for prosecution was strong. It is obviously much more difficult for civilian governments to prosecute wben amnesty laws have been passed exonerating military regimes prior to their exit from power, such as General Zia has already done in Pakistan.

But th, most heartening aspect of tne trial is the way it has tackled head-in the great taboo in developing country politics — the power of the military. The military all too often remain above the law not because there are no laws to cover them; but because civilian courts are afraid to bring them to book. This fear cf provoking the military weakens all civilian authority and is a major cause of bad government in *much of the developing* world.



Chris Walker

THE FRENCH ECONOMY

A Socialist bear trap for the right

With a change of government likely in France, David Housego reports from Paris on the legacy the Socialists will leave behind

M JAGQUES CHIRAC, now the man most likely to be France's next Prime Minister, used to maintain that the Ftencb Socialists were caught between the devil and tha deep blue sea. Either they would mismanage the economy and thus be thrown out by the electorate. Or they would get to grips with the mucb-needed task of bringing down inflation and rationalising industry, in which case they would lose the backing of their supporters.

It is the latter prediction which is closer to coming true in wbat now seem the dying months of this Socialist administration. Three years nf austerity policies have begun to bear fruit. French inflation is now falling to under 5 per cent —a level not achievad since the early 1970s. There is e modest, consumer-led pick-np in economic ectivity with real incomes boosted by pre-electoral cuts in taxation.

Corporate profitability on the indices used by the official statistics instituta INSEE, have risen tn levels not seen since the first oil shock. Bourse (stock exchange) prices which sagged in the summer have climbed back to record heights. Overall fixed capital investment in the economy—stimulated by a recovery in manufacturing investment—seems likely to he positiva next year after several years of continuing decline.

The Socialists, after their ill-timed reflation on coming to power in 1981 and the dislocation caused by the nationalisation programme, are increasingly recognised both by public opinion in France and by the financial markets abroad, to have made a good job of running the economy. But notwithstanding this, under the new system of proportional voting, they seem inevitably beaded for the tumbrils in the Parliamentary elections in March.

What the Socialists—no more than their predecessors—have been unable to put right ls that fundamental weakness of the Frencb economy by which eacb renewed expansion is choked off by difficulties on the external trade sccount. Even in the present modest recovery—between spring 1985 and spring 1986 real GDP is likely to be growing st around 2 to 2.5 per cent or a full percentage point *behind West Germany—imports* have begun to rise and exports to flag in a way that is putting a stop to any further improvement in the trede account.

A higher than expected trade deficit of FFr 20bn this year ls sligbtly smaller next year, bnt onlythangs to falling oll prices. By contrast, West Germany is expecting a record trade surplus this year of between DM 70bn and DM 75bn.

This vulnerability of the external account—reflecting a long period of inadeqnate rates of investment in French industry, of insufficient competitiveness in price and quality and of the difficulties globally industry has bad in responding rapidly to changes in demand—seema if anything to bave worsened. In the early 1970s, France was able to run a higher growth rete than West Germany but to maintain its trade account almost in balance. Diminisbing competitiveness bas also been reflected in France's falling share of world export markets and increases in import penetration.

Loss nf market share in manufactured exports is sometbing France shares with many European countries. But import penetration bas also been climbing fester than would be justified hy normal trading patterns. Last year imports accounted for 31.7 per cent of the domestic market for industrial goods in 1984 as compared with 27.6 per rent in 1980.

Tbe drama of French macro-economic manegement next year is that the Rigbt will be coming to power with a programme that is focused on diminishing this very weakness and on improving the competitiveness of the corporate sector. Tbe measures they are proposing—cuta in the corporate sector's tax and social security burden, reductions in public expenditure, the lifting of price controls, the eesing of redundancy procedures, privatisation and further deregulation —are largely inspired by wbat President Reagan did ln tbe US and Mrs Tbatcher in Britain. Tbe Socialists have begun implementing some of these measures.

But lt is a programme that *requires firm government* and a prolonged period in office — both Mrs Thatcher and President Reagan are in the middle of their second terms. In the short run, the effect could be to worsen unemployment, inflation or the trade balance.

Mr Mitterrand believes tbst this is the fate that awaits the French Right and it is one which he bopes to exploit. Having won the election, tha Right will take responsibility for day to day economic management, but will have to live *beneath the sword of Damocles* held by the President, who has it in his power to dissolve the National Assembly after a year or to call an early presidential election in the bope thst by then tha electorate will bave come to appreciate the virtues of the Left.

Tha Socialists' major achievement aince the U-turn in economic policy in 1981 has been their unexpected success in bringing down inflation with so far a smaller cost in terms of unemployment and loss of economic activity than many of their European partners. This was the government's objective in 1982 in choosing to make tha de-indexation of wages the centrepiere of ita anti-inflation strategy rather than relying on an orthodox deflation of demand through the money supply as was the case in Britain and West Germany.

Tbe French inflation rate has thus come down from 13.4 per

A fundamental weakness by which each renewed expansion is choked off by the vulnerability of the trade account

cent in 1981 probably to below 5 per cent by the end of thls year and will still be declining in 1986.

The government has been helped enormously in thia process by the decline in the dollar and internatiooal commodity prices have fallen 20 per cent in the 12 months to October.

lt has also been helped by the disciplines implicit in EMS membership which heve meant that France has had to pursue tight fiscal and monetary pollciea to avoid a further—and politically catastrophic—devaluation of the French franc.

But nonetheless the Socialists' success in getting unions to agree to wege settlements below the existing lnflation rate, and thus to abandon the indexation mechanism that "ratcheted up" wages and prices ln the 1970s has been a major factor—contributing average annual 1.5 per cent to tha drop in the inflation rate between 1982 and 1984.

French unemployment has risen by 600,000 since 1981 when the Socialists came to office and now stands at 2.4m

The French economy has, bowever, still to shed a great many jobs while both West Germany and Britain are now creating net new employment. INSEE calculates that an average of 80,000 jobs a year will have to go in the next few years as a result of restructuring in such sectors as automobiles, shipbuilding and the banks.

Perhaps the most striking aspect of France's economic performance however has been the fact that almost alone in Europe since the second oil shock it has avoided a recession. But France missed ont on the pick-up in the world economies in 1983, and for the last three years bas been running an average annual growth rata of 1.3 per cent that bas lagged behind that of her major European partners.

This year'a recovery is also predominantly fuelled by a growth in consumer demand rather than by exports or investment which would hava suggested a more fundamental atructural edjustment.

Nonetheless, the combination of stagnant wages and increased productivity bas been the major factor boosting corporate profitability. Real hourly wages increased at an annual rate of 0.9 per cent between 1982 and 1984. In the same period, productivity — in part the result of cuts in the labour force — climber by an everage of 4.9 per cent.

Company profits — as exoressed by Insee's ratio of operating surplus to value edded —whicb declined during Mr Barre's years in power—have returned to levels last experienced in 1974. Accompanying this movement, Bourse prices have climbed 30 per cent since the beginning of the year.

Bnt the weakness of French companies remains that they are far more beavily indebted than their American or European rivals.

Tbe consensus over wage restraint is one of the major legacies of the Left and one that would remain the focus nf policy for any future French Social Democrat administration still committed to the objective of improving the competitiveness of French industry. A right-wing government will hava far more difficulty in preserving it—particularly since the Right is committed to lifting price controls and giving employers more freedom over deciding redundancies.

As against this, the rise in the size of both the budget deficit and the public debt have left far less leaway for a successor administration to provide for tax or interest rate cuts

A budget surplus in 1980 had been transformed into an estimated deficit next year of FFr 149.6bn or 3.3 per cent of GDP—thus absorbing almost half of net privete saving and maintaining an upward pressure on interest rates. Interest rata charges on the Government debt have almost doubled to FFr 82bn in 1984 and will continne to rise next year by 12 per cent or faster than nominal GDP—thus still absorbing a growing share of national resources.

Over the past two years the Socialists bave begun to halt this process by curbing the continuing post-war rise in real public spending, and imposing next year cuts in real terms in public expenditure exclusive of debt service payments. But the difficulties that they have had in doing this demonstrate the even greater problem that the Right will have next year in finding an additional FFr 40bn of budget savings to finance the cuts in taxation or ln the bndget deficit thet they have in mind.

But Mr Mitterrand has left other snares in their path. The present pick-up in the economy will ba running out of steam by the middle of next year — thus facing them with the possibility of a further rise in unemployment. The pre-electoral tax cuts whicb beve been behind the recent expansion of activity will have lost their momentum. Export growth is likely to sag further because of the increasing overvaluation of the franc.

A new administration is also likely to have to raise both social security charges, to plug an estimated deficit in the social security fund of FFr 10bn to FFr 20bn, and raise ntility tariffs to prevent a further rise in public sector deficits.

The Right thus faces a dilemma in what will still be a highly charged political atmosphere because of the prospect that there could be fresh presidential elections just over the horizon. Either lt acts to maintain activity so as to forestall a renewed rise in unemployment but with the risk that this could put pressure on the inflation rate and tha trade deficit — and hence eventually the franc. Or else lt gives continuing priority to bringing down inflation — ln which case unemployment is likely to go np.

Precisely because of the acuta difficulties of putting through a long-term economic programme amidst such long-term political and economic uncertainties that Mr Barre has always said that the Opposition should refuse to take power while Mr Mitterrand remains at the Elysee.

Mr Chirac is just as pessimistic as Mr Barre about the long-term prospects of power abaring with Mr Mitterrand. But on the assumption thet the Right has an absolute majority in March and thet as leader of the largest opposition group, the neo-Gaullist RPR, he takes over as Prime Minister he calculates that that position allows him to choose the lssue and the timing of the inevitabla conflict with Mr Mitterrand. But he cannot afford to wait too long if be is to avoid being engulfed by the disenchantment which would eccompany the inevitable difficulties of managing the French economy in the late 1980s.

Men and Matters

Crocker's revolving door

THE revolving door at the top of Grocker Bank, Midland Bank's expensive US subsidiary, continues to turn. Out goes Dick Rosenberg, who was hired 18 months ago as a retail banking wizard, and in comes John King, chairman of First Interstate Bank of California.

Rosenberg, eged 55, is leaving Crocker's San Francisco beadquarters, where he was one of two vice chairmen, and moving 800 miles north to take over as president of Seafirst Corporation, which is abont half the size of Grocker and shares the unenviable reputation of being one of the most unprofitable banks in America.

Seafirst lost \$456m in 1983, primarily because of losses on imprudent energy lending, and had to be rescued by Bank America Corporation. Grocker lost \$324m in 1984 and haa been effectively rescued by Britain's Midland Bank which pumped in extra capital and took full control earlier this year.

Rosenberg, *who also doubles* up as chairman of Mastercard International, will rejoin Dick Cooley, his former boss at Wells Fargo, who was lured away in 1983 tn help rescue Seafirst. Rosenberg, who spent 22 years with Wells Fargo and is one of the most highly regarded marketing men in US banking, has been named president and chief operating officer of the holding company and the lead bank, Seattle-First National Bank. Thst gives bim a bead start in any race to succeed when Cooley, aged 62, retires.

Rosenberg denies that the Midland's increased interest in Crocker's affairs had anything to do with his departure and says that the Seafirst offer was "just too good to be missed."

Crocker bas moved quickly to fill Rosenberg's job and scotch any suggestion that hia departure reflects unhsppiness amongst Crocker's new senior management. John King, aged 52, who steps lnto Rosenberg's sboes as a vice cbairman of Crocker and head of its important Californian Banking Group, started his banking career with Manufacturers Hanover Trust in New York.

After 15 years on the east coast he moved west and joined Union Bank in Los Angeles for a couple of years before moving across to First Interstate in 1975.

Marketable Price

Kent Price has pulled many surprises in his three years as head nf the British operations of Citicorp the US'e largest banking group.

In that time it bas become the first foreign member of the UK bank clearing system, and has plunged deep into the City of London revolution by buying two stockbrokers and a discount house.

But Price's biggest surprise is his sudden decision to resign from Citicorp, and strike out on his own at the age of 42.

It is all very amicable, he insists. Citicorp is "full of very able people aged about 45" and he wants to switch to an organisation wbere he stands a better chance of getting close to the top. He has not got a new job lined np, he says, but is casting about for something suitable on either side of the Atlantic.

He may well stay in Britain. He bas an English wife and his British parentage entitles *him* to British nationality if he wants it. He is specially struck by the possibilities of the City revolution which, be believes, exceeds anything that is going on in the US.

"London is aetting the pace," be aays. "Financial service companies bave the right to do many more things here than in the US."

Anotber key difference between London and the other two leading financial centres, *New York and Tokyo,* as Price sees it, is that London thrives by providing a aervice rather than by living off a huge domestic market.

"What do you want to do—try to remember the new slogan or blow into the bag?"

Gas light

The Commons Select Committee on Energy was a little late in starting its 10 am grilling of Sir Denis Rooke, British Gas chairman, yesterday.

Shortly before the session — on gas regulation — was due to start, one of the committee clerks emerged to ask my man in the corridor of power whether be could borrow a copy of the FT.

lt turned out that though the Department of Energy had published on Monday the terms of the future licence for privatised British Gas, lt had failed to inform the select committee, or send it a copy.

So, as a very cross Peter Lloyd, chairman of the committee, told Rooke later: "Tbe first we saw of these regulations was in this morning's FT, giving us absolutely no time to consider this critical element in gas regulation."

Rooke seemed unconcerned about this lack of preparation for his interrogation, but agreed sympathetically later that on first reading the government rules were "horrifically complicated." He added: "1 counted about half a dozen algebraic symbols in the main regulatory pricing formula."

Eating out

lt may seem strange thet a catering management company with an annual turnover of more than £60m should not have a single restaurant to lta name. But that was the case with Sutcliffe Catering — part of the P & O group — until yesterday.

Sutcliffe has made its name with some 900 catering operations in staff restaurants, schools, and publlc bodies — lt even provides the food in several of the London clubs.

Now it has a restaurant of its own. Wevers, which opened for breakfast yesterday, is in a new building in the Wavertree Technology Park, Liverpool. The park has been reclaimad from 60 acres of derelict reilway sidings alongside the Plessey factory.

And to keep up with the high tech image the new eatery has a fast-food counter called Megabyte.

Pound for pound

A US-made motor car and a sirloin steak bave one thing in common—they each cost \$3.65 a pound.

This new contribution to the sum of man's knowledge comes from management consultants Runzheimer International who hsve been examining cars and living costs.

American buyers vacillating between bntcher'a shop and auto showroom will find the best value is the imported Japanese Suburu at only \$2.49 a pound.

The Alfa-Romeo four-door V-8 is for gourmets at a whopping \$34.09 a pound.

Observer

Germany's 'Silicon Valley'

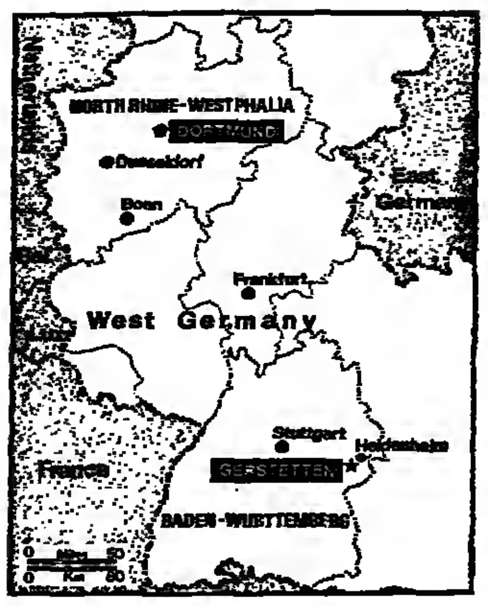
Union spanner in an entrepreneur's works

By Peter Bruce in Gerstetten, Baden-Wurttemberg

MANFRED and Uta Rohlich, both in their early 40s and newcomers to this tiny and relatively isolated Swabian village, are the sort of people that may one day make Baden-Wurttemberg's State Premier, Mr Lothar Spaeth, great. They may, on the other band, be bis undoing.

The Swablans already think he is great, as do a growing number of other Germans watching on as Mr Spaeth continues witb almost unstoppable progress to transform Baden-Wurttemberg into one great European technology park, a German version of California's "Silicon Valley" crammed with bundreds of small, immigrant, bigh tech companies.

A former Federal Economics Minister, Otto Graf Lambsdorff, bad tbe temerity last week to suggest that perhaps Mr Spaeth was intervening a little too much in industry to ge his way. Perhaps he was subsidising where he sbould not be. Tbe local radio network ran furious state government reaction as its lead item for three days. Last weekend Mr Spaeth bimself was on tbe stump, boasting that "innovation promotion," which is what subsidies are called here, was necessary and that his policies were making the risks of entrepreneurship worth taking again.



Manfred Rohlich, whose company, Progamma, faces problems after a long strike

The Rohllchs took such a risk two years ago. Manfred, a salesman with a car radio distrihutor in North Rhine Westphalia, thought he could huild better equipment than he was selling, and started a small business, Programma, with bis wife in Dortmund. He speaks English, Italian and Frencb and, assumiog it would be impossible to sell car radios to the German auto industry cooncentrated on exports. He soon found a major customer in Peugeot/Citroen in France and another in Chrysler Canada.

But the early radios were fairly cooventional. What he really wanted was to hulld a new generation of radios, based on a small, pocketable remote control, making the equipment difficult to steal, and modular design principles that would make it easy to adopt new technologies for car telepbones, televisions and compact disc players to the standard product. The problem was that he needed financial backing.

In 1983 be saw an official in the North Rhine-Westphalia Economics Ministry in Dusseldorf about a possihle aid package. "They just laughed," he remembers. Then, at least, the North Rhine Westphalia Economics Ministry was far more concerned about saving its steel or coal industry, than about helping out a rather intense, gangly young man, employing only 30 people, with strange ideas about car videos.

A business contact in Gerstetten suggested he try Baden-Wurttemberg. There was also space available in the village and a railhead in nearby Heidenheim. With very littla fuss, Mr Rohlich secured a DM 5.7m low interest loan over 10 years from Stuttgart, packed up in smoggy Dortmund and moved south to the Swabian mountains. Gerstetten is clean. It lies off a minor road. The people speak the Swabian dialect. Manfred Rohlich says he still has difficulty understanding It.

Progamma's arrival in the town just over a year ago created some 50 new jobs. The Rohlichs brought some Dortmund employees with them and mora than doubled the overall workforce to 70. Most of the staff are young, and by the summer, Progamma and its sister sales company, Facon, were producing and selling well over 30,000 sets a year, with Peugeot/Citroen taking more than balf the output. The Rohlichs found new customers in Zendar in Italy and Uher in the UK.

But the Portmunder's arrival in Baden-Wurttemberg had not gooo unnoticed at the Heldenbeim headquarters of the IG Metall, West Germany's biggest and most aggresive trade union. Wage agreements in Germany are settled oo a regional basis and IG Metall organisers began almost immediately to press the Roblichs to conform to the agreed pay deal for the area. They refused, arguing their circumstances were special, that they did not have the money to pay higher wages and were not members of an employers' organisation.

Tho IG Metall is not accustomed to being turned down when it leans on small fry. Union organisers worked away at the Progamma staff. On September 18 Progamma workers voted for inclusion in the area wage deal, and to strike for it. The local IG Metall leader in Heidenheim says he reckoned with an action lasting "at most" 14 days by wbich time Progamma would knuckle under.

The strike want on for nearly 60 days, one of the longest in German post-war history. Gerstetten had never seen anything like it. IG Metall, at the beight of the action, bussed in 1,300 demonstrators to the front of tha factory gates each day. The police responded with more than 300 officers. There were scuffles and injuries. The Rohlichs received anonymous death threats.

The little company whose move south had been described hy one of Mr Spaeth's senior advisers as "an exemplary case of our technology policies in action" struggled to maiotain output at 50 per cent with its new workers, including a dozen Lancashire engineers on contract, who did not join the action. As news of the strike spread, the daily confrontation outside the factory became a tourist attraction. Local taverns made what one puhlican calls "a small fortune."

Mr Spaeth, realising the damage the publicity might do to his carefully structured image of Baden-Wurttemberg as a place of happy and unrivalled productivity, intervened personally. His "negotiations" eventually brought the action to an end. The final agreement was unusual, however, in that it was signed on the unlou side not hy the company works council but by the regional headquarters. In an almost unprecedented move, the works council has agreed to put itself up for re-election next year.

Mr Spaeth hailed the deal as a "victory for reason." The union was very pleased, too, as tha Rohlichs were forced to give way and recognise regional pay and conditions. It has, however, left the couple bitter.

Relations between management and staff remain "bad, very bad," says Mr Rohlich. They had had no difficulties with the unions in North Rhine Westphalia. "The row wasn't about my business. It was political, between I. G. Metall and Spaeth. We had the naive idea that wbat we did in Dortmund we could do better bere. We didn't know that I. G. Metall was so well organised in Baden-Wurttemberg."

They didn't know because they were not told hy the Stuttgart marketing machine. Unemployment in the state is the lowest in the country and the unions are correspondingly strong. The state's powerful employers, like Daimler Benz, set the standards in wage deals with I. G. Metall. Manfred Rohlich is almost as hitter about employer associations as he is about the unions. Progamma will not join, he eays. "They bave become an abstract. Tbey know nothing about the problems of small businesses."

Programma is now turning over about DM 13m a year. Its profits are small and inevitably ploughed hack into the business. The Rohlichs want to start working on computerised driver navigation systems but the strike and cootinuing bad feeling in the plant will make everything much more difficult. All but a handful of tho Lancashire eogineers will not have their contracts reoewed at the end of tho year.

Meanwhile, Baden-Wurttemberg's competitor states have cottoned on to high technology and small businesses. Tha Rohlichs would probahly have got their money from Dusseldorf had they waited another year. They could be forgiven for feeling homesick.

The UK economy

Diminishing relevance of Sterling M3

By Michael Beenstock

THERE IS one essential clue which can guide us through the jungle of argument about monetary targets. This is the distinction drawn by modern economic theory between "inside money" and "ontside money."

Inside money consists of private sector liabilities, such as bank deposits, while outside mooey consists of public sector liahilities, such as notes and coin in circulation.

"Mo" consists of notes and coins, plus bankers' deposits at the Bank of England. It is thus a liability of the central bank and, therefore, "outside money."

Other monetary aggregates contain a mixture of the two kinds of money. For instance, £M3 contains not only notes and coin, hut also the deposit liabilities of the commercial banks.

If bank deposits do not pay interest, i.e. if inside money is non-interest bearing, it is the hroad level of the money stock which includes bank deposits, that influences inflation. If, however, there is no outside money, hut the insida money bears a competitively determined rate of interest, the rate of inflation is indeterminate.

The reason for this is that an increase in the quantity of money influences the rate of interest on bank deposits rather than the general level of prices. But as I bave explained, ontsida money does exist in the shape of Mo. So if inside money pays competitive interest rates, it is left to Mo to determine the general level of prices.

We may summarise these theoretical findings as follows. If banks do not compete for sight and time deposits by offering competitive interest rates or realistic bank charges, the rate of inflation will be infinenced hy rates of broad monetary growth, eg £M3. If, instead, banks set competitively determined interest rates on deposits and bank charges the rate of inflation will be influenced by ootside money, ie Mo. End of lecture.

My main thesis is that because the banking system has become increasingly competitive £M3 has become less inflationary than it used to be while the significance of Mo for the control of inflation has been correspondingly increased. The Chancellor has acted wisely in attaching less weight to £M3 and more weight to Mo but be may not have done so for the reasons that I am proposing.

Prior to Competition and Credit Control in 1971 there was little or no competition between hanks. Indeed CCC was proposed to correct this but it was not until the second half of the 1970s that genuine competition began to take place. Banks began to offer interest on sight deposits. Today there are almost as many interest bearing sight deposits as non-interest bearing sight deposits. They compete for cheque accounts in terms of service and competitively determined bank charges. The market for time deposits has seen increased competition as well. Whereas time deposit rates were fixed margins over Bank Rate today they are increasingly influenced by market forces as banks compete for liabilities.

The Chancellor has been sleepwalking in the right direction

More recently, competition has spread to huilding societies. So the market for inside money, in terms of a wide definition, such as PSL2, which includes the societies, has become more competitive as well. So the banks are competing not only with each other, but also with other financial intermediaries. Competition has changed the face of British banking hut it has also changed the inflationary significance of M1, £M3 or even PSL2. The supply of £M3 can rise without provoking inflation because competitive interest rates raise the demand for it. As a holder of an interest bearing current account I am now glad to hold more M1, than ever before, hut my expenditure is unchanged. Institutional chango has raised the demand for money just as surely as deregulation of telecommunications has raised the demand for telephones. "Inside money" is now a store of value as well as a medium of exchange.

Not only does this thesis help explain why relatively rapid rates of "insida money" growth have not induced inflation and why the growth of Mo has become a better indicator of inflationary trends, it also shows why "inside money" has grown so rapidly relative to Mo.

Between 1870 and 1970 the "money multiplier," defined as the ratio of M3 to Mo fluctuated gently between 4 and 5. It used to be one of the great constants of our monetary history. In the past six years it has virtually doubled. Part of the explanation lies with the CCC reforms and those of August 1981 according to which banks were allowed to reduce their reserve ratios. But only 7 per cent of the increase in the "money multiplier" since 1979 has been due to this. The other 93 per cent has come from a 46 per cent fall in the proportion of money the public holds in notes and coin. In other words, the public's demand for "insida money," has greatly increased.

The public is using banks to a greater extent than before because banks are competing to make deposits more attractive in terms of bank charges and competitive interest rates on deposits. Incidentally, this portfolio switch has enabled banks to increase their lending. So the expansion of bank lending is also explained hy my thesis, as well as why this lending haa not been as inflationary as in the past.

Where does this leave the Chancellor? He has in fact been sleepwalking in the right direction, first hy including Mo in the Medium-Term Financial Strategy and more recently by downgrading £M3. Although greatly more competitive than it used to be, the banking system has a long way to go; so he cannot demote £M3 entirely. However, for presentational purposes he should abandon it in favour of Mo. The MTFS path for Mo should be adjusted for the institutional changes I have described.

The author is Professor of Finance and Investment at the City University Business School.

Letters to the Editor

Best guessing the market

From Mr A. Tolley

Sir,—Mr Gaunt's correspondence (December 3) concerning Clive Wolman's article is really a failure to appreciate the mechanism and predictable consequences of the "efficient markets hypothesis." The apparent attention of the market to next year's results is a consequence of the way markets view long term earnings prospects, and is a red-herring concerning capital allocation to industry.

Research has shown that share prices do reflect the market's best guess of discounted future economic earnings. Next year's profits growth acts as a pointer to the future growth of the company, and the share price is a reflection of the investors risk-averse model of future earnings based on market experience. Therefore, if the share price is a relatively predictable function of the expected next published results, a more accurate view would allow an investor to make abnormal returns, therefore explaining the focus on short-term profits.

The evidence cited of portfolio underperformance is evidence that the market does make the best guess of future earnings, and that it is very difficult to consistently out guess the market's view, except by chance. Thus risk-adjusted underperformance of an index is expected as a consequence of dealing costs. It should be clear therefore, that the market mechanism does, overall, allocate capital to maximise long term returns, not short term profits, ie is efficient, and that the behaviour patterns of the investor are a consequence of this efficiency, not an example of the market's inefficiency.

Alex Tolley,
Grenfell and Colegrave,
55-61 Moorgate, EC2.

Outperforming the Index

From Mr M. Keeley

Sir,—Mr Gaunt (December 3) is too severe on his fellow investment managers in requiring them to outperform the market index. Nor should he conclude that because a significant number of them fail to do so that securities are incorrectly priced with regard to long term company prospects. The two points are interrelated.

A characteristic of an efficient securities market is that prices reflect the collective wisdom of the best informed market participants and therefore the market index represents the best that can be achieved over time by holding a diversified portfolio and not, as Mr Gaunt implies, a lower limit which fund managers should be expected to beat.

As Mr Gaunt's figures indicate, some funds will out-perform the index in the medium term bnt this cannot necessarily be ascribed to better than average judgement but is equally consistent with a high risk-return investment policy or, more simply, with the random nature of price movements. In fact, a number of other studies over comparable time periods indicate that when allowance is made for dealing and research costs virtually no pension funds beat the market and indeed few equal the index. These statistics, however, are not so much cause for alarm as an indication of the healthy level of competition among sophisticated market participants which is required to ensure that securities are, in general, correctly priced.

Michael A. Keeley,
Glasgow College of Technology,
Cowcaddens Road, Glasgow.

EEC competition rules

From Mr I Sinan

Sir, — I write in response to Mr M. B. Hutchings' letter (December 2) concerning EEC competition rules. Although one may sympathise with some of the comments (and many of the sentiments in Mr Hermann's artiele to which reference is made), it sbould be pointed out that Articles 101 and 102 of the Treaty of Rome, which are proposed as being "a powerful instrument . . . to attack distortions created by national laws," have major drawbacks.

Although the second paragraph of Article 101 states that the EEC Council of Ministers must act "by a qualified majority" in issuing the necessary directives, unanimity is more often than not required for action. The second paragraph of Article 102 essentially permits a member state to legislate as it wishes provided that the distortion caused to competition is "detrimental only to itself." In that case, the provisions of Article 101 will not even apply — though such an exception seems hard to reconcile with the view which has been adopted by the European Court of Justice that anti-competitive effect in a substantial part of the EEC (including a member state) would be contrary to the Treaty.

At a time when the Commission is unwilling to propose further competition block exemption regulations (irrespective of their shortcomings) for adoption by the council given the deadlock in that chamber, it is unrealistic to suppose that the Articles 101 and 102 procedures will ever get beyond the proposal or recommendation stages, respectively, especially wbere the subject matter of debate is of particular importance to, or caused by, one or more of the council's own members.

The EEC Commission is charged with the difficult and thankless task of actually carrying ont the not-always sincere or consistent statements of political iotention by the member states. If it can do so within the proper limits of the law, however unsatisfactory these may be at present, it should be free to do so without having to take on the additional burden of intra-council conflicts any more than is absolutely necessary.

Thus, to continue with Mr Hermann's metaphor, it may or may not he welcome by those concerned if the (white) paper were peeled-off the cracks and new plaster applied to the wall as a whole. In any event, it is doubtful whether even total renovation would adequately solve the hitherto trouhlesome and fundamental question of legal (un)certainty.

Izzet M. Sinan,
3 Verulam Buildings,
Gray's Inn WC1.

Half baked patents conference

From the President, Chartered Institute of Patent Agents.

Sir, — Dr Hermann (December 5, "A balf baked patents conference") is right to criticise strongly the detail and effect of the present UK procedures of patent litigation, the restrictions on access to barristers, and the rush towards finalisation of the community patent. It must be recorded bowever that the patent system can and ofteo does serve well the private inventor or small company.

In most instances a patent or patent application is respected by collaborators and competitors alike, irrespective of their size, and patents and applications have formed the hasis of many valuable exploitation arrangements by British inventors.

Tha prohlems arise in the minority of instances where one party to a negotiation adopts for commercial or political reasons a position that the other party considers unreasooable, safe in the knowledge that it can better afford a dispute. If the solutions proposed by Dr Hermann were adopted the risk of one party being ahla to buy success over the other party would be reduced and the value of the patant system to everyone, large or small, would be enhanced.

It is known that the Government proposes to publish a White Paper and then legislate on copyright reform and it appears that there may be proposals for patent reform at the same time. I urge that the opportunity be taken for solving, or at least reducing, the problems ideotified by Dr Hermann.

P. R. B. Lawreoce,
Staple Inn Buildings,
High Holborn WC1.

Faith in the Church

From the Reverend Humphrey York

Sir,—Your Editorial (December 3) on the report of the Archbishop of Canterbury's commission on urban priority areas, Faith in tho city, was most welcome.

It seems regrettable, to say the least, that Government ministers should he so eager to "rubbish" the report even before it bad been published. As a member of the General Synod I received a copy on December 2, clearly embargoed till publicatioo at 2100 hours on December 3.

How is it that ministers who are so touchy about leaks from government sources have no hesitation in using leaked information about other institutions?

Your Editorial makes interesting reading when compared and contrasted with that of December 6 on the subject of the Australian Royal Commission's report on nuclear tests in Australia in the 1950s. In the latter case, the Government seems to be hending over backwards to accommodate the sensitivities of the Australians, where there was no legal requirement to do so. The Church, meanwhile, appears to deserve very different treatment!

Humphrey York,
The Rectory, Sheviock,
Torpoint, Cornwall.

Interest on life policies

From Mr P. Richer

Sir,—On November 18 the Secretary of State for Trade and Industry announced in the House of Commons that ioterest will in future be paid on policies after the death of the policyholder until the date of the pay-out, a reform for whicb I have strenuously campaigned.

That is the good news.

The had news is that interest will not start to run until two months after the death of the policyholder, with the result that the industry will continue to withhold about £8m per annum from heneficiaries.

What is the moral or commercial rationale for this decision?

Percy Richer,
Upton Britton & Lumb,
9 Leigham Hall Parade,
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FINANCIAL TIMES

Wednesday December 11 1985

APPEALS FOR SPECIAL CONCESSIONS ARE REJECTED

Pretoria extends debt freeze

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA yesterday extended its four-month freeze on foreign debt repayments until the end of March while still holding firm to its rejection of requests for exemption.

Dr Chris Stals, chairman of the Government's standstill co-ordinating committee (SCC), said the extension was necessary "to allow sufficient time for the parties to come to an acceptable arrangement for the gradual withdrawal of the restrictions now in force on the redemption of foreign debt."

Dr Stals confirmed that Dr Fritz Leutwiler, the Swiss mediator, had circulated South Africa's proposals for a "longer-term arrangement" for the repayment of $14bn of mainly short-term debt to the 29 leading creditor banks, but he gave no further details.

International bankers said on Monday that the proposals included a four-year, four-month grace period until 1990, before phased repayment of debt would begin.

Dr Stals disclosed that "non-bank creditors and certain holders of very short-term deposits with South African banks" had appealed for special concessions, but those had been turned down "in view of the continuing pressure on the foreign exchange market." Thus it had been decided to continue the standstill "more or less in its present form."

He added, however: "Efforts are being made to find ways and means of accommodating at least some of their requests."

The South African proposal were submitted to Dr Leutwiler in a 12-page document accompanied by eight annexes of technical details of 50 pages each.

Sources close to the SCC said they were essentially intended as a basis for negotiation. "We want to get around a table with our creditors to discuss a number of options contained in the proposals. They still need a lot of refinement," one said.

A number of banks that have received the proposals are reported to be seeking a higher margin over the London inter-bank offered rate (Libor) for the frozen short-term loans to reflect the fact that they have, in effect, been converted against their will into medium-term credits. Until now, the Reserve Bank has permitted a margin of only ¼ per cent over Libor on frozen funds held in special accounts. Those accounts were transferred from the commercial banks to the reserve bank as part of last Monday's package of further exchange restrictions.

Despite the freeze, some creditors have been willing to roll over loans to some borrowers such as the Urban Foundation, which finances black housing development, but requests for higher margins above Libor have had to be referred to the Reserve Bank for permission to pay.

Sources close to the SCC confirm that the South African authorities are sensitive to the demand for higher margins on interest payments and that it is one of the issue to be discussed once negotiations begin.

Some creditor banks expressed the hope that the South African authorities would agree to a small downpayment of a portion of the $14bn principal as a gesture of goodwill are, however, almost certain to be disappointed. Next year the South African authorities will have to pay close to $3.5bn in capital and interest on the $10.3bn of the total $24bn debt that remains outside the capital repayment standstill introduced on September 1.

"There is no scope for repaying any principal outside the standstill net because we have not got the reserves to do so," sources said.

Last week the Reserve Bank reported in its quarterly bulletin that the capital outflow not related to reserves amounted to 5.4bn rand ($2bn) over the first nine months of the year. In the third quarter alone, the outflow amounted to 2.6bn rand of short-term and 349m rand of long-term capital, which was partially reflected in a 1.5bn rand decline in official gold and foreign currency reserves. Those stood at 4.81bn rand at the end of November.

Oil prices plunge as £ fuels tax doubts

Continued from Page 1

if someone makes huge trading deficits."

The exchange deals in contracts for future deliveries of oil which are bought and sold not just by those involved in the industry but by a wide range of speculators. It requires each of its members to deposit $1,000, a so-called "margin" which would be called on in the event of any individual's inability to meet his commitments. Miss McFadden said yesterday: "I will recommend to our board of directors that the margin be raised."

In Britain, the Treasury's private forecast includes provision for a drop in the oil price of perhaps $4 from the $30 prevailing last month. A sharper fall, however, could seriously erode the scope for tax cuts and disrupt the planning of the spring budget. A Treasury study suggests that for each 10 per cent cut in oil prices, government revenues would fall by £750m ($1.08bn) in the first year and by more than £1bn in subsequent years.

On the London money markets, sterling interest rates edged higher for the second day running. The uncertainty caused by oil price falls was compounded by official figures showing a larger than expected increased in sterling M3, the broad measure of the money supply.

The possibility that a rise in UK interest rates might be needed to reverse the pound's slide on the foreign exchange markets was being played down last night both in Whitehall and by senior clearing bank officials.

The view in Whitehall was that it was too early to judge whether sterling's latest decline was more than a temporary upset. In any case, officials stressed that exchange rate movements were only one factor influencing decisions about the appropriate level of interest rates.

There was some concern about the Bank of England's latest money supply figures, which show that sterling M3, the broad money measure, rose by 2 per cent last month to take its annual growth rate over the past three months to 20¼ per cent.

Officials suggested that this month's figures were exceptionally hard to interpret because of a £1bn discrepancy in the information reported by large banks. The Treasury has been playing down the importance of sterling M3 since Mr Nigel Lawson, Chancellor of the Exchequer, suspended his 5 to 9 per cent target range for the aggregate in this financial year.

Greater emphasis has been placed on exchange rates and on the narrow money supply measure, Mo, in setting interest rates.

UBS to repurchase Deutsche Länderbank from Dresdner

BY WILLIAM DULLFORCE IN GENEVA

UNION Bank of Switzerland (UBS) is to buy Deutsche Länderbank, a Frankfurt-based wholesale bank, from Dresdner Bank for an undisclosed sum. The deal, announced yesterday, means that UBS is reacquiring a former wholly owned subsidiary.

UBS is the third of the big three Swiss banks to establish a presence in West Germany this year after moves by the Bundesbank, the central bank, to liberalise the domestic financial market.

Crédit Suisse has already completed the purchase of Grundig Bank of Fürth, in Bavaria, and of Effectenbank Warburg in Frankfurt, while Swiss Bank Corporation announced recently that it was to establish its own subsidiary in Frankfurt.

Deutsche Länderbank, wholly owned by Dresdner, has capital stock of DM 45m and showed assets of around DM 3bn ($1.18bn) at the end of November. It has concentrated on serving institutional clients, German and foreign alike, and has focused on short and medium-term lending and money-market trading. It also trades in securities and underwrites D-Mark bond issues.

Earlier this year, UBS, based in Zurich, obtained a listing on the Frankfurt Stock Exchange and announced that it was looking for a West German bank to buy.

Deutsche Länderbank was a wholly owned subsidiary of UBS from 1967 to 1969 when 75 per cent of the stock was sold to Dresdner Bank. The rest was sold in 1980.

The repurchase is due to take effect on January 1 but has yet to be approved by the Federal Cartel Office in Berlin.

John Wicks in Zurich writes: Crédit Suisse last night announced that it was to open a branch of its West German subsidiary, Schweizerische Kreditanstalt, in Nuremberg. The new branch will specialise in investment consulting and portfolio management for private clients.

● UBS is to become the first Swiss Company to list shares on the Tokyo Stock Exchange. The bank announced yesterday that "in the next few days" it would offer 75,000 bearer shares to Japanese investors. Those will form part of a general capital increase approved at this year's annual meeting.

The offer will be managed by Nomura Securities and syndicated through a large group of Japanese securities houses. Application has already been made to the Tokyo Stock Exchange

UK managers criticised for lack of interest in training

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

SENIOR British managers have little interest in training, see little connection between training and company performance, have limited knowledge of the costs or extent of their own training effort and do not know how it compares with those of their competitors at home and abroad.

That picture of deep complacency has emerged from a study of management attitudes to training in 60 large UK companies. It was conducted by consultants Coopers and Lybrand for the Manpower Services Commission (MSC), the agency that administers government job and training programmes, and the National Economic Development Office (Nedo), the secretariat of Britain's primary forum for government-management-union discussions.

Statutory support for training, an approach eschewed by Britain's Conservative Government, is suggested by the report as a last resort if voluntary efforts fail. The main thrust of the report, however, is for a change in employers' attitudes.

At the same time, ideas for some legislative support for training are now emerging within the MSC, and are being mooted with the Government. Mr Geoffrey Holland, the MSC's director, said yesterday that "interesting possibilities for legislation" were for a statutory "training credit" scheme, under which employees could draw on a "bank" of training credits when required, and for some statutory support for local and regional chambers of commerce to assist them in their developing role as providers of training.

Mr Ron Taylor, director general of the Association of British Chambers of Commerce, said last night: "Some sort of statutory underpinning would assist us. Some 40 (of 86) chambers are now involved in the youth training scheme, and have taken on more than 300 full-time staff. Statutory registration by companies would help us know who is around."

Swift Government action on statutory assistance to training is unlikely. Ministers are aware of the issues, but hope that exhortations from the MSC, Nedo and the Government will result in a change

The report, however, is heavily critical of current attitudes. In a joint foreward to it, Mr Holland and Mr John Cassels, the Nedo director general, say: "Some employers already show what can and should be done. It has to be said that they are the shining exceptions. As this report demonstrates convincingly, the majority of employers fail to put a high priority on development of their own employees."

News analysis, Page 26

EEC researchers get funding boosts

TWO EUROPEAN research facilities specialising in condensed matter, an area in which the EEC is said to have a 15-year lead over the US and Japan, received important boosts yesterday with the signing of funding agreements in Brussels, writes Paul Cheeseright.

France and Italy agreed to help fund the work programme of Britain's Science Engineering Council laboratory at Chilton, near Oxford. Britain and West Germany, meanwhile, agreed to join France and Italy in the development of a complementary facility at Grenoble in France.

The British laboratory called Rutherford Appleton, was formally opened in October at a cost of £60m ($86m). It produces pulses of neutrons which are used to investigate the structure and behaviour of solids, liquids and gases. Experiments started this year.

At Grenoble, the way has now been cleared for the final costing and drawing up of plans to install the proposed European synchotron radiation facility.

The agreements reflect the quickening pulse of EEC co-operation on intermediate and long-range research programmes designed to improve the competitive position of industry against the advances of the US and Japan.

The Chilton and Grenoble initiatives take their place alongside Community programmes like Esprit, directed at industrial co-operation in information technology, and specific manufacturing ventures like Airbus Industrie.

News analysis, Page 10

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	F	16	61	Malaga	S	15	59	Salzburg	R	4	39
Akrotiri	S	21	70	Faro	C	14	57	Malta	F	20	68	Seoul	R	0	32
Algiers	–	–	–	Florence	–	–	–	Manila	S	30	86	Singapore	R	25	77
Amsterdam	S	6	43	Frankfurt	F	6	43	Miami	S	25	77	Stockholm	S	–13	9
Athens	R	15	59	Funchal	S	19	66	Milan	R	8	46	Strasbourg	S	8	46
Bahrain	S	21	70	Geneva	F	6	43	Moscow	C	–7	19	Sydney	T	23	73
Bangkok	S	33	91	Gibraltar	S	15	59	Munich	R	3	37	Taipei	F	20	68
Barcelona	R	11	52	Guernsey	S	8	46	Nairobi	F	25	77	Tangier	–	–	–
Beirut	S	21	70	Helsinki	C	–3	27	Naples	F	13	55	Tehran	–	–	–
Belgrade	F	12	54	H. Kong	R	19	66	New Delhi	S	17	63	Tel Aviv	S	26	79
Berlin	C	7	45	Innsbruck	S	3	37	New York	C	8	46	Tenerife	–	–	–
Biarritz	S	11	52	Inverness	Fg	–4	25	Nice	C	12	54	Tokyo	S	8	46
Blackpool	R	4	39	Istanbul	F	10	50	Oporto	C	10	50	Toronto	Sn	1	34
Bordeaux	Fg	4	39	Jersey	C	8	46	Oslo	S	–11	12	Tunis	F	18	64
Brussels	S	5	41	Jo'burg	F	27	81	Paris	Fg	3	37	Valencia	S	13	55
Budapest	C	5	41	Las Palmas	C	20	68	Prague	R	5	41	Venice	Fg	9	48
B. Aires	C	26	79	Lima	S	21	70	Reykjavik	S	2	36	Vienna	C	4	39
Cairo	C	21	70	Lisbon	C	10	50	Rio de J'o	S	33	91	Warsaw	Fg	4	39
Cape Town	F	22	72	Locarno	R	8	46	Rome	R	12	54	Zurich	C	5	41
Caracas	C	27	81	London	F	4	39								
Casablanca	–	–	–	Los Angeles	F	18	64								
Copenhagen	C	5	41	Luxembourg	C	4	39								
Corfu	R	15	59	Madrid	F	3	37								
Dublin	C	8	46	Majorca	S	16	61								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Banks back Baker plan

Continued from Page 1

well and adjusting their economies under IMF programmes.

The situation of the debtor countries was better than many have portrayed it to be. Growth this year will be around 4 per cent, while their aggregate current account balance of payments deficit is now less than 2 per cent of gross domestic product. This is less than that of many countries whose creditworthiness is unquestioned, he said.

Ecuador and Yugoslavia would sign multi-year debt rescheduling agreements with commercial banks later this month, followed early next year by Venezuela, Uruguay and tha Dominican Republic.

Uruguay's deal will be accompanied by a $45m credit provided jointly by commercial banks and the World Bank.

Even after the Baker plan was implemented, countries' problems would still be dealt with in a case-by-case way with bank advisory committees for individual countries remaining in place.

Discussions are continuing about a trust fund administered by the World Bank and IMF which could be a way of keeping smaller banks who have tried to walk away from the debt problem in the lending process, Mr Rhodes said.

Germany faces threat of labour unrest

By Rupert Cornwell in Bonn

A SERIOUS new bout of labour unrest is threatening West Germany, after the breakdown last night of three-way talks between the Government, employers and unions aimed at reaching a compromise over a mooted stiffening of the country's strike laws.

After three hours of discussions, chaired by Chancellor Helmut Kohl, the sides were as far apart as ever. "The Government is sticking to its position that the law must be changed," said Mr Ernst Breit, head of the DGB, the central union federation.

"We will be holding an emergency meeting today to discuss what to do next. But as of now I not see any real chance that an agreement can be reached."

Earlier, an estimated 350,000 engineering workers had held protest rallies up and down the country; and in the streets outside the Chancellery where the talks were held, hundreds of demonstrators last night heard Mr Franz Steinkuhler, deputy leader of the militant IG Metall engineering union, warn that the movement would fight to the last if the centre-right coalition went ahead with its plans.

At the centre of the trouble is the proposal to stiffen existing labour legislation by removing the duty of the state to provide unemployment benefits to workers laid off by strike action elsewhere.

The campaign, spearheaded by the employers and the liberal Free Democrat (FDP) Party and backed by some 130 MPs from the ruling Christian Democrats and the Bavarian-based CSU, stems from the seven-week dispute last summer, mounted by IG Metall, in pursuit of a shorter working week.

On that occasion, selective strikes at a handful of key component plants brought the entire national car industry to a standstill, making 400,000 workers idle. The state, after a protracted legal battle, was forced to pay benefits to those indirectly involved in the strike, costing it over DM 200m ($78.7m).

The Government is now determined that there will be no repeat. An interministerial committee last week finalised draft amendments to the law, stipulating that workers laid off as a result of industrial action elsewhere will not be eligible for benefits if they stand to gain from a successful conclusion to the strike.

But the unions, already under pressure from falling membership and the ignominious collapse of a recent strike at Lufthansa, the national airline, are furious at what they see as a deliberate attempt by a hostile Government to limit their right, which is enshrined in the constitution, to strike.

Their anger has, if anything, increased, after what seems to have been a deliberate leak last Friday, by Mr Martin Bangemann, the FDP Economics Minister, of the proposed changes in the law, intended to force a showdown. Mr Breit has warned of a "hot winter" if the plans go ahead.

Mr Bangemann was, however, unrepentant before attending the Chancellery talks. The amendment to the law, he insisted, did not constitute a curb on the right to strike. But, he told a meeting of textile industry employers, the law had to be changed, to prevent the Federal Labour Office, which pays unemployment benefits, from turning into "a strike fund for the unions."

Suspension of shares at Westland

Continued from Page 1

tine should seek firmer political guarantees from his European ministerial colleagues to back the rescue proposals from their three companies.

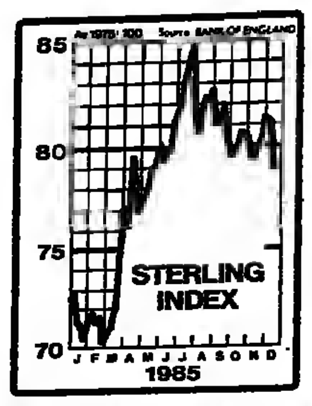
Particularly at issue is ministerial ratification of a memorandum of understanding drafted by the armaments directors of the four governments 10 days ago, under which they would agree both to buy only European helicopters and rationalise their helicopter production to eliminate competition.

David Marsh in Paris writes: Aérospatiale, the French state-owned aerospace group, said last night: "We have had 18 years of fruitful and profitable co-operation with Westland. We want this to continue in the future."

Michael Donne in London writes: The UK aerospace industry generally believes that a US stake in Westland is preferable to any European participation, particularly because of the likely extensive opportunities for orders in the US through the rest of this century.

THE LEX COLUMN

A matter of interest



The sterling/D-Mark cross rate has done a pretty good job of tracking the price of oil recently; true to form yesterday, the pound fell another 5½ pfennigs. At DM 3.64, it has now lost 10 pfennigs in a week to close at its lowest level since March. Quite why the market has taken this long to discount a lower oil price is a mystery; nobody really believed that Opec would be able to sort out its internal production problems – and even if it had, next spring was likely to see the same old problems of oversupply.

In a similar knee-jerk style, sterling bounced back slightly when the money supply figures showed yet another uncontrolled leap in sterling M3. Apart from being distorted by a £1bn accounting discrepancy, the figures now give little indication of whether monetary policy is tight or loose. In the last three months, M0 has risen at an annualised rate of just 3 per cent, while sterling M3 has grown by more than 20 per cent.

The Government is probably just as puzzled as the rest of us, and presumably does not feel inclined to raise interest rates, even with the pound where it is. A ½ point increase in base rates would not temper the market's oil worries. And if the Treasury is bothered about the PSBR growing as the oil price falls, it could do worse than allow itself to offset at least some of the effect by earning oil revenues in more valuable dollars. After all, a sterling exchange rate of $1.43 is nothing to be ashamed of, and might even placate industrialists who cannot now hope for lower interest rates as a Christmas present.

As luck would have it, the Government is anyway being bailed out by other countries. The prospect of action on the US deficit has generated so much excitement on Wall Street that bond yields are now at their lowest for five years. With UK rates standing still, the differential between sterling and foreign interest rates is conveniently widening. Just by keeping rates where they are, the Government is helping to support what is now a nervous currency.

US budget

Now that an attempt at deficit reduction is close to becoming a reality on Capitol Hill, rather than a congressional pipe-dream, the markets are having to do some hasty calculation of the consequences. Although the US bond market has decided that deficit-cutting must be good, if it means absence of borrowing by the Treasury, the budget-reduction bill cannot be entirely counted upon effectively to reduce deficits, while its less popular sister, tax reform, may not become law at all.

There is little question that tax reform, of whichever political complexion, would result in a higher effective corporate tax rate, reversing the investment incentives of President Reagan's first term. That would drop the after-tax rate of return on equity, and presumably lower the demand for funds; if the world were designed for bond markets, that would combine with the retreat of federal spending to produce a fall in yields that might be expected to continue until the deficit vanishes altogether in 1991.

On this score, the best outcome that it makes real sense to hope for is that the House passes some form of tax reform, so that the project remains alive for the Senate to play with. But the revised budget machinery must make cuts somewhere, in however rough and short-term a manner; and that is what cuts ice with bond markets.

Gold Fields

Selling off patchy American assets can be a dangerous move, as the management of Imperial Group has just learnt to its cost. But, whereas Howard Johnson was a case study in how not to sell something, Consolidated Gold Fields has done everything it reasonably could to limit the damage.

Gold Fields was never going to avoid a book loss, in dollar terms, on the disposal of Skytop Brewster assets and the American industrial subsidiaries. But, by selling the anticipated dollar proceeds forward at $1.14 and making the necessary adjustments to foreign exchange reserves, the company will escape with only a minor impact on its sterling revenue account.

Gold Fields should receive cash proceeds of $124m, a 25 per cent stake in the new management and the traditional legacy of failure across the Atlantic, monumental tax losses. None of this quite heals the past American scars, the deepest of which was an £87m Skytop provision in 1983, but at least Gold Fields will have a better defence than Imps if a bidder comes knocking on the door.

Even with Minorco sitting on a 27.8 per cent stake, Gold Fields cannot be feeling exactly invulnerable. While the rand's fall has reduced the market value of its listed investments by £242m since the end of June, the share price is now trading at a discount to the break-up value even of the businesses outside South Africa. But, with a market capitalisation of under £1bn, Gold Fields may be too small to interest anyone.

Norcros

Norcros's interim figures for the six months to September are not a good advertisement for its acquisition of UBM. A pre-tax improvement for the combined businesses of only 6 per cent over their pro-forma performances last year is scarcely a compelling reason for agglomeration; and UBM's builders merchants actually did a little worse than last time. Any advantages in a materials company owning a merchant as a shop-window – and these were certainly open to debate – may well be wiped out by a goodwill write-off in the balance-sheet and the need to spend money on the shops.

Leaving UBM aside, the improvement in pre-tax profit of 31 per cent (to £20.1m) was almost wholly due to a site reconstruction in the engineering division and steady progress in print and packaging. The ceramics improvement has stopped in its tracks; and although Norcros has done well to defend its margin, the flight from competition with Mediterranean tiles seems to have little more to offer.

In fact, Norcros will have work on its hands plugging holes to protect profitability on its larger turnover base and the outlook scarcely demands a rating higher than the single figures implied by market forecasts of under £45m pre-tax for the year.

SECTION III

FINANCIAL TIMES SURVEY

Financial Futures and Options

FINANCIAL FUTURES may only be 10 years old but they have progressed far beyond adolescence. The wild fluctuations of currencies and interest rates bave made futures—and now options too—a vital adjunct of international financial markets.

Yet the industry faces serious challenges. Regulators in Washington are seeking to tighten requirements on traders already squeezed by cut-throat competition. Increasingly sophisticated rival products threaten to draw business away from the trading pits.

Financial futures and options have rapidly come to play a vital role on the international scene. However, the exchanges, already under pressure from cut-throat competition, face a number of other challenges. There are moves to tighten regulation in the US, and a growing number of increasingly sophisticated rival products also threatens to draw business away from the industry.

Fast growth on back of market volatility

By Alexander Nicoll

The Chicago exchanges—each a pell-mell of flailing arms, urgent cries and multi-coloured jackets—present one of the greatest spectacles of the financial world. They were fonnded in the last century to trade grain and perishable commodities. But the action has shifted away from agricultural contracts to such an extent that three-quarters of the Chicago Mercantile Exchange's one-acre trading floor is now occupied by financial products.

Volume records have been set in recent weeks. One day's trading in Treasury bond futures on the Chicago Board of Trade topped 380,000 contracts, worth $38bn. Options are playing a growing role. On the Chicago Board Options Exchange, an astonishing 900,000 stock index options were traded in a single day.

In Britain, the London International Financial Futures Exchange (Liffe) has in three years grown larger than the commodity exchanges, and too has been setting volume records. They may be modest in comparison with those in the US, but the growth of Liffe and other exchanges around the world shows that increasing numbers of banks, traders, investment managers and other corporate end-users are embracing futures and options.

Use of futures and options in London is expected to rise sharply as part of the radical changes under way in the City's structure.

Futures and options have differing characteristics, but both offer the opportunity to manage risk. A futures contract gives the buyer the right and the obligation to buy a given amount of goods, whether Treasury bonds, soyabeans, or anything else, for a set price on a fixed future date. An option affords the right, but not the obligation, to buy the goods.

The pits thrive on volatility of the underlying financial markets. On the one hand, they attract participants in those markets to protect themselves from risk. On the other, futures traders seek to make money out of the rapid price movements.

Three key factors made financial markets candidates for so-called derivative products such as futures and options: the breakdown in 1973 of the Bretton Woods fixed exchange rate system; the Federal Reserve's decision in 1979 to abandon interest rate targeting, setting the stage for more volatile rates; and the rapid rise in US Government debt. The result has been extraordinary growth of futures and options for currencies, debt instruments and stock indices.

These contracts provide the means to hedge against erratic price and rate movements. But they also attract speculators, and in a highly leveraged manner, since traders only put down a small percentage of the value of the contracts they buy or sell. This, to some, has made the pits an unwelcome entrant into financial markets.

Futures and options exchanges do not deny that speculation forms an important part of their markets. They say that it is essential, and that traders risking their capital every day provide a liquid market enabling hedgers to protect themselves from risk in the most efficient possible way. For every risk reducer, there must also be a counterparty assuming risk.

Not all the worries have been stilled, however. Turnover in the trading pits, particularly that involving large scale arbitrage techniques, has raised concern that the futures market may contribute to the volatility of the underlying market.

This is strenuously denied in Chicago. But there is evidence that Wall Street stock prices have been unduly affected by heavy activity in stock index contracts, especially around expiry dates.

Separately, some currency traders say that the pound's rapid rise from its lows near $1 earlier this year was accelerated by the exercise of sterling/dollar options.

Nevertheless, futures and options markets have proved that, as long as underlying financial markets remain volatile, they are here to stay. It would be very difficult for the US Government to hold one of its massive debt auctions without the existence of a futures market, in which Wall Street houses, effectively underwriting the sale, can lay off their risks.

A stamp of approval came early this year in a study by the Federal Reserve Board (Fed), the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC).

The regulators concluded: "Financial futures and options markets serve a useful economic purpose, primarily by providing a means by which risks inherent in economic activity can be shifted from firms and individuals less willing to bear them to those more willing to do so." The markets, they said, "appear to have no measurable negative implications for the formation of capital." The activities of speculators increase the liquidity of the markets, making it "easier for those wishing to hedge to establish and close out quickly positions in the market and on competitive terms."

Furthermore, the Fed study said evidence showed that futures and options "do not destabilise cash market prices and, indeed, may work to stabilise them."

Futures may have become respectable but the growth of financial products has brought fresh problems for the industry.

The arrival of new participants, especially from New York, has intensified competition. Commission-cutting has forced many old-line commodity broking firms out of business. Others have been swallowed—with most employees losing their jobs—into fast-growing, low-overhead firms such as Refco. New giants have arisen in the market place, notably Chicago Research and Trading, which specialises in arbitrage.

With many firms thus struggling to make a profit, the industry has suffered a serious jolt as a result of the demise of Volume Investors, a member of the New York Commodity Exchange (Comex). The firm went into receivership in March, unable to meet $20m of margin calls made on its customers in gold options when the gold price jumped $39 in one day. Such calls ask the firm or its customer to put up additional capital to finance a position.

The unusual feature of the case was that about 100 uninvolved customers of Volume Investors found their accounts, totalling $14m, summarily frozen by the Comex. The funds are still tied up as the affair goes through the courts. Normally, customer accounts at a failing brokerage firm are quickly transferred by exchanges to other member firms.

The incident rang alarm bells at the CFTC, which has a particular need at present to be seen as a tough regulator. Its very existence will be questioned in 1986 when it comes up for reauthorisation by Congress. In August, the Commission proposed sweeping changes in the way futures exchange members calculate their capital.

Many futures firms have expressed strong opposition to the plans, which are now being reconsidered. CFTC staff will come up with a recommendation about the agency's next step, during the first quarter of 1986, and the period for public comment on the proposals has been extended until March.

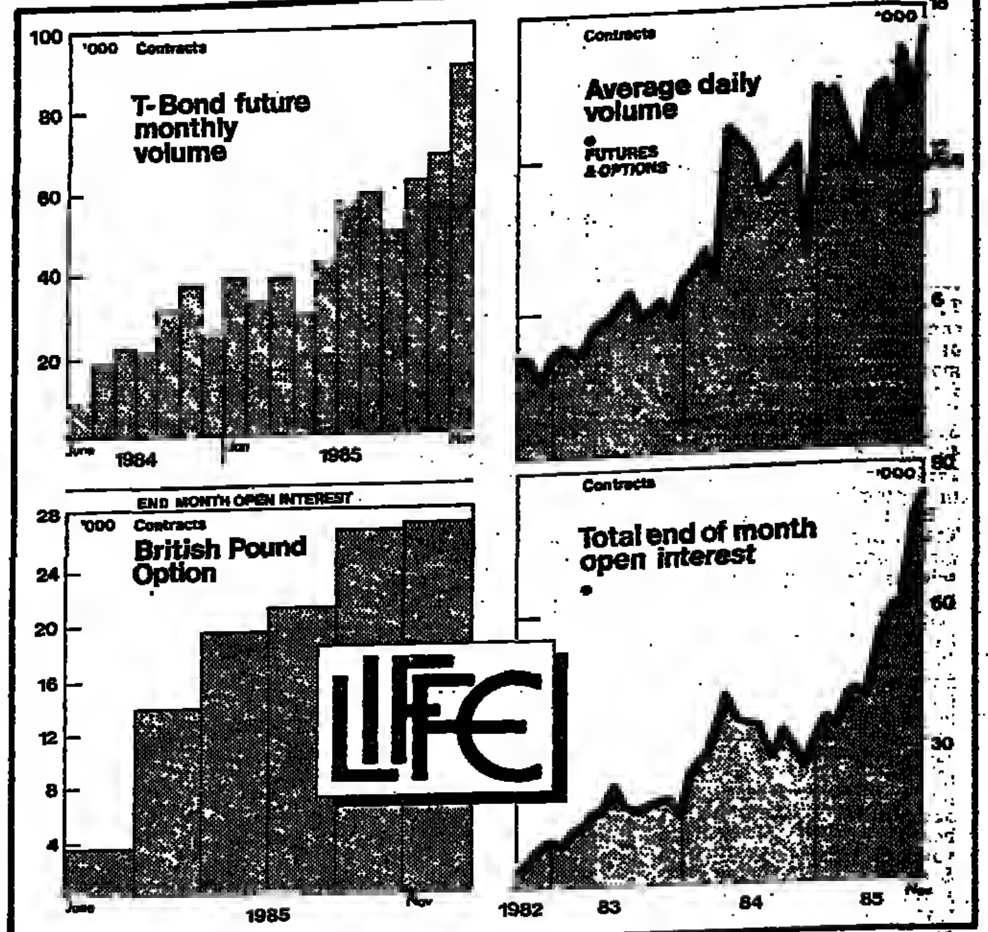
The Chicago Board of Trade, on behalf of its members, has been vociferous in opposing the CFTC moves, and has formed a $1m legal defence fund. It says

Continued on Back Page

Hesitant steps on road to success

Liffe

ALEXANDER NICOLL



THREE YEARS after its launcb, the London International Financial Futures Exchange (Liffe) has established itself firmly as the largest futures market outside the US.

This not inconsiderahle feat is too easily forgotten in a comparison of Liffe'a volume with that of the much larger US exchanges. It was only 10 years ago thet financial futures were first invented, and then ln US markets where the futures concept was long established.

Britain's embrace of financlal futures is, however, still besitant. Although several of Liffe's contracts have gathered momentum which should ensure their future, others have yet to get off the ground.

Liffe still has a long way to go in attracting institutional and speculative lnterest, and continually faces challenges from the cut-throat competition between exchanges worldwide.

Within the past year, there bave been several important developments. Mr John Barkshire, chairman of the financial services group Mercantila House, stepped down as Liffe chairman after seeing the exchange through its first 2½ years. He had been the driving force behind its establishment. Mr Brian Williamson, a managing director of Gerrard and National, the discount house, has replaced him and bas set ambitious goals for tha exchange'a growth.

He has already overseen an important policy advance, laylng plans for Liffe's first formal link with another exchange and at the same time taking a bold step towards capturing the potentially huge Japanese demand for derivative financial products.

On tha eve of the Tokyo Stock Exchange's launch in October of Japanese government bond futures, Mr Williamson and Mr Robert Goldberg, chairman of the Chicago Board of Trade, announced in Tokyo that the London and Chlcago exchanges would jointly trade a "fungihle" (interchangeahle) yen bond contract, prohahly from next year.

Faced with such an aggressive approach, Japanese officlals have adopted a softer llne than the ontright opposition they had previously sbown to an overseas yen bond contract.

Japan is also allowing its residents to trade foreign financial futures contracts for the first time, a move which is expected to hoost Liffe's volume substantially.

The most important step actually implemented during the year was the launch in June of Liffe's first options: a £25,000 aterling/dollar physical option and a contract hased on the exchange's successful Eurodollar futures. The currency option was launched amid a scrap with the Stock Exchange, which rushed to introduce them first.

With overall market volume boosted hy turbulence in exchange rates, Liffa is showing higher volume than the Stock Exchange, partly thanks to an introdnctory "fee holiday" for members. The Stock Exchanga is hoping that a trading link with the Philadelphia Stock Exchange, which pioneered currency options, will establish it as London's central market for them.

The Eurodollar option has had a predictably slower start. But the related futures contract is now well established as Liffe's most sneccessful product, followed by US Treasury bond and UK interest rate contracts. The latter were augmented in September by a new sbort gilt future, providing market users with hedging instruments all along the yield curve.

Liffe's gilt contracts are expected to get a significant boost next year from the restructuring of London financial markets. Instead of the two jobbers who have long dominated tha gilt market, there will be 29 primary market-makers along US lines, and including most of the major players on the huge US government securities market.

They are expected to make greatly increased usa of the gilt futures markets both to hedge their positions and to make additional trading profits.

Liffe'a greatest disappointment in the past year has been the failure of its stock index future, based on the Financial Times-Stock Exchange 100-share index, to develop significant volume. This has been variously ascribed to lack of speculative interest, the costs of arbitrage with the underlying market, slowness of fund managers to adopt bedging strategies, and even to the quality of the index itself. There are strong bopes, however, that volume will be boosted by the current restructuring of London markats and City institutions.

Mr Michael Jenkins, Liffe chief executive, says the 40 per cent rise in fntures volume over the past year has been healthy if not spectacular. Significant progress has been made towards reducing the costs of doing business on Liffe, through deals with the International Commodities Clearing House (ICCH).

The number of inactive members has fallen, Mr Jenkins says. Against charges that Liffe has failed to attract a sufficient number of individuals to act as "locals" — providing vital liquidity in the pits as in Chicago — be says the numher of locals bas doubled over tha past year to 37, and that they account for 9 per cent of total volume as against 3½ per cent a year ago.

Though Liffe naturally hopes to attract more people to risk tbeir capital in the pits every day, it is also anxious that the number should not grow disproportionately with tha amount of customer business received hy exchange memhers.

"It is no good bringing people in without a sufficient degree of outside orders," Mr Jenkins says. Locals bave got to make a living and they won't do it simply by trading among themselves."

Liffe does admit that it could have put more resources into marketing — though the expenses of founding the exchange left little in the hudget, and there were even doubts among members about wbether the exchange, rather than they themselves should go out and sell the products. Emphasis has now been stepped up with the hiring of a new marketing executive.

The exchange has also had to face up to anothar crucial issue: aelf-regulation. After toylog with the idea of forming itself into a aelf-regulatory organisation (SRO)—as is planned by tha Stock Exchange—Liffe opted to hack a rule change which will require members to join, at least for an interim period, the Association of Futures Brokers and Dealers (AFBD).

Liffe's decision has given the Association a crucial boost—until then it was not at all clear that the AFBD could become an effective regulator for the futures industry. The London Metal Exchange has since adopted a similar position, so it now seems certain that the AFBD will take its place as one of seven SROs under the aegis of the Securities and Investments Board.

Over the next year, Liffe plans several new products. It is among many exchanges with plans to introduce contracts based on the European Currency Unit (Ecu). While most will probably opt for futures or options on Ecus as a currency, Liffe may well develop an Ecu deposit future, since thare is a growing interbank deposit market in London and Europe which may welcome a hedging instrument. The contract may make Liffe attractive to a new range of members such as Italian and French banks.

Options are heing considered on gilt and T-bond futures as well as on the D-mark. Further ahead, Liffe is considering a futures contract based on D-mark interest rates.

The most important innovation, however, will he Japanese government bond futures. Mr Williamson estimates that the London cash market in Japanese government bonds already has daily volume of $300m. The opening up of Japanese markets, and the roaring start seen in Tokyo's new futures market, suggest that there could be huge potential for Liffe and the CBOT.

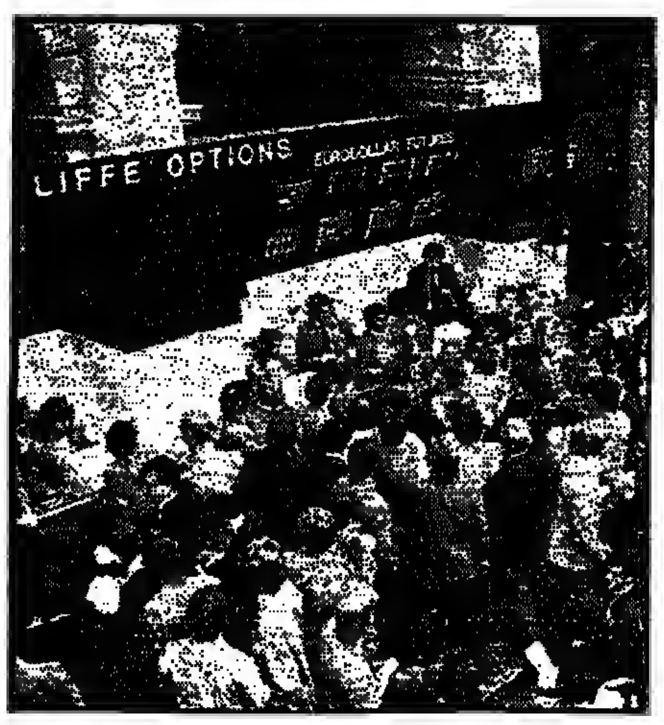
The Liffe/CBOT link breaks new ground for both exchanges, and will need to get over several regulatory hurdles. Liffe has previously preferred to avold formal links. It is friendly with most US exchanges and already has strong lnformal ties with the CBOT.

Until now, Liffe bas suggested that the best way to achieve "mutual offset" — essentially, using positions on more than one exchange to calculate margin requirements — was through links between clearing houses rather than between exchanges.

The emphasis is clearly changing, especially with the gathering prospect of round-the-clock trading in many instruments. The Sydney Fntures Exchange has announced plans to launch a Eurodollar futures contract and says tbat it is interested in a link witb Liffe.

With more new contracts thus on the horizon, Liffe must glve thought to the claims for space on its floor under the dome of the Royal Exchange. It is likely to shift trading in some of the less active contracts to an automated execution system. There are a number of systems on offer whicb Liffe could adopt.

Mr Jenkins says that a plt with only one or two people regularly in it, though providing a market, is not a genuine open outcry system. Automation of, for example, some of Liffe's currency contracts could make their continned listing and trading more efficlent and less costly.



Options trading on the London International Financial Futures Exchange

A bright spot in the gloom

US Exchanges

NANCY DUNNE

THE GNMA mortgages futures contract on the Chicago Board of Trade, used to hedge home mortgage instruments, has seen far better days. Last September, it recorded a volume of just 3,500 trades, down from almost 49,000 trades in September 1984 and nearly 91,000 trades in September 1983.

But the folks at the Board of Trade, mindful of GNMA's past glory and hopeful of a new scheme to settle GNMA's in cash, threw a party for the contract last month to celebrate its tenth birthday. GNMA was, in fact, the exchange's first financial futures contract, and for that reason the CBT owes it some gratitude.

Financial futures provide a ray of light in an otherwise gloomy picture at the world's largest futures exchange. Every agricultural contract on the board recorded depressed volumes between January and September of this year. The small-lot precious metals contracts, which once seemed so promising, turned in fewer trades than 1984, and the CBT's attempt to challenge the supremacy of the New York Mercantile Exchange in energy futures has met with little success.

In the first nine months of the year total CBT volume fell to 51.2m from 52.2m in the first three quarters of 1984. But fortunately, the exchange is the home of treasury bond futures, the most highly traded futures contract in the world. Six hundred traders, standing shoulder to shoulder in the T-bond pit, traded 28.8m contracts between January and September, up from 22m contracts the year before.

T-bonds alone achieved a higher volume than most of the world's exchanges. Only the Chicago Mercantile Exchange (CME) had more trades in the US, if you add all its contracts together.

Treasury bond options have also been spectacularly successful. Volume in the first nine months of this year rose from 4.8m to 8m contracts, making the option the third highest volume future contract in the US.

The decline in the CBT's agricultural contracts and the rise of its financials are a long-time trend, reflected throughout the industry. But this is the first year that volume in interest rate contracts alone has surpassed total farm future trades.

Mr Leo Melamed, one of the designers of financial futures at the Chicago Mercantile Exchange, believes the switch was inevitable. "The CME . . . always believed that financial markets offered more potential in terms of investments and uses than did the agriculture markets. More people can utilise financial markets, whereas a limited universe is going to utilise agricultural futures," he says.

The CBT has other successes beyond T-bonds. Its 6½-10 year Treasury Note future is also growing nicely. From a volume of 140,000 in September, 1984, T-notes trading jumped to 213,000 volume last September.

Showing promise for future growth is the CBT's Municipal Bond Index contract, introduced in June after eight years of analysis and consultation with the municipal bond industry. By October, muni bonds achieved a daily volume of about 2,500 and open interest of about 5,000 a day, and exchange officials figured it was a sure winner.

Less sure is the board's stock index contracts, which by September showed signs of fading. The major market index, a "Dow Jones look-alike," grew much faster than anticipated after its introduction in July, 1984. It reached 1m in volume in 79 days and 2m after 141 trading sessions.

But trading began to slow, and the CBT introduced a second stock index contract, the Major Market Maxi Index, designed to attract institutional players. In September, the maxi contract recorded a volume of 72,000 and the first MMI contract had 39,000 trades. Action for the two combined was considerably less than in September, 1984, when the MMI alone had a volume of 234,000.

Stock index contracts have, in fact, turned in a mixed performance. Volume at the Kansas City Board of Trade in Value Line Index futures climbed from 70,000 contracts in September, 1984, to 108,000 contracts last September. Trading in the Standard and Poor 500 Index on the CME rose from 1m to 1.2m contracts from September to September, 1984, and achieved a volume of nearly 11m in the first nine months of the year, making it the second highest trading contract in the US.

However, trading in S & P 100 Index futures has virtually disappeared, and the New York Stock Exchange Composite Index, the one viable contract on the New York Futures Exchange, has slipped from 282,000 in September, 1984, to 213,000 in September, 1985.

In the first nine months of this year, volume in equity indices rose from 13.3m contracts in the first nine months of 1984 to 16m contracts. More impressive was the growth in foreign currency trading which, during the same period, bounded from 13.6m contracts to 20m.

The chief beneficiary of the currency boom has been the CME, one of the three US exchanges to show a total volume increase from January to September this year. Of its seven currency contracts, five have improved performances this year. In the first nine months, 5m Deutsche Mark contracts changed hands, 2.2m British pound contracts, 354,000 Canadian dollars, 3.6m Swiss franc and 8,700 French francs.

Trading was off in the first nine months for the yen, because, according to one analyst, "No one was prepared to make the market in the face of the Japanese banks' disapproval." The group of five meeting in September brought a pick-up to yen volume, and there were hopes that the start of futures trading in Tokyo last month would spur higher volumes.

The CME's Three-Month Eurodollar Contract, once a slow, steady climber, has grown strongly this year. Volume in the first nine months surged from 2.6m contracts to 6.8m. Analysts say the Eurodollar has drained business from the domestic 90-Day Certificate of Deposit Contract, which recorded plummeting volumes this year, as well as 90-Day Treasury Bill Futures.

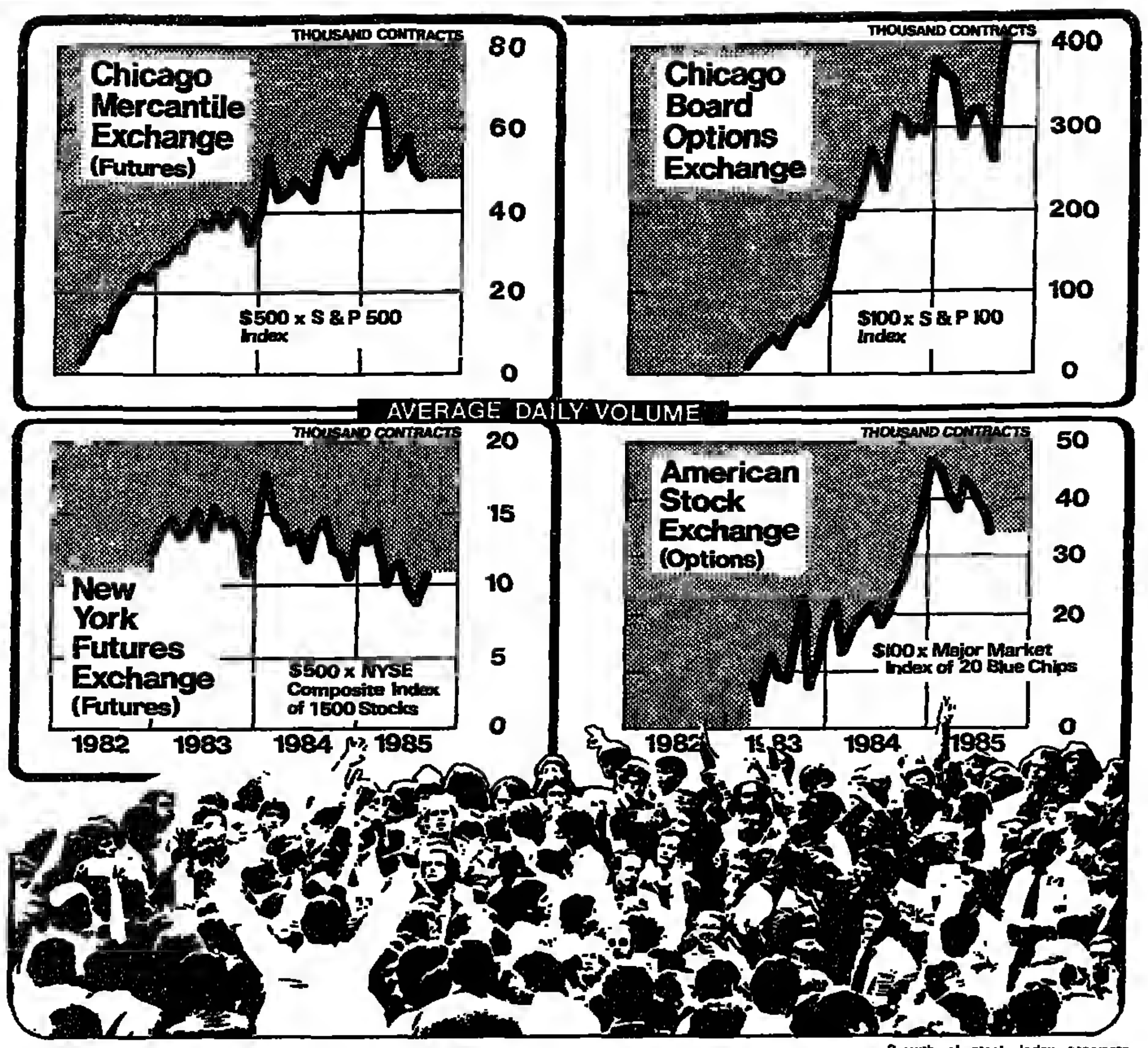
One of the most disappointing performances of the year has been the New Consumer Price Index Future on the Coffee, Sugar and Cocoa Exchange. Floor traders are apparently keeping it alive both out of loyalty to the exchange and the belief that inflation will once again make its appearance in the US economy, and that companies with cost-of-living labour contracts to hedge will have by then learned to use the futures market.

The big exchange rivalry of the year got its start last month when both the CME and the CBT introduced over-the-counter stock index contracts and prepared to fight it out for leadership in the field. The new Philadelphia Board of Trade, an offshoot of the Philadelphia Stock Exchange, was the first to launch an over-the-counter future, based on an index developed by the stock exchange.

A US dollar index contract was introduced early this month by the New York Cotton Exchange, making its first venture into financial futures. The index is based on the Federal Reserve Board's Trade-weighted Dollar Index, which is calculated against a basket of eight European currencies, and the contract is being updated every minute during the trading day.

To compete with the individual currency contracts on the CME, the Cotton Exchange invited the floor traders of the other New York exchanges to use its pit.

> The financial sector offers more potential than agriculture markets in terms of investments and uses. More people can utilise the financial markets, whereas a limited number of players are going to make use of agricultural futures.

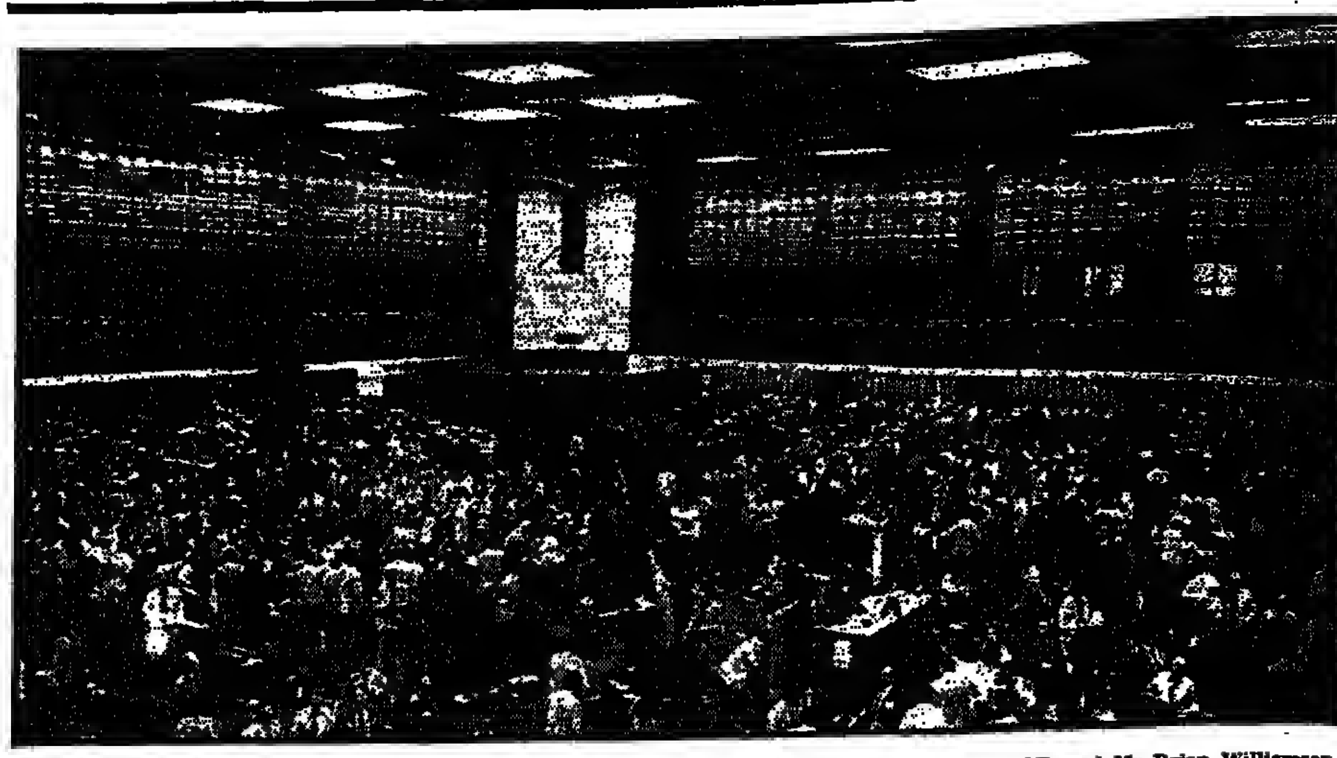


Growth of stock index contracts

25 Most Actively Traded Contracts

Rank	Contracts by Exchange	First half 1985 average daily volume (in thousands of contracts)	Relative ranking 1984	Relative ranking 1983
1	T-bonds (CBOT)	151.5	1	1
2	S. and P. 500 Index (CME)	60.6	2	5
3	T-bond Options (CBOT)	41.8	7	23
4	Eurodollar (CME)	36.2	9	—
5	Gold 100 oz (COMEX)	34.4	4	4
6	Soybeans (CBOT)	28.2	3	2
7	Deutsche Mark (CME)	25.4	8	19
8	Corn (CBOT)	24.0	5	3
9	Silver 5,000 oz (COMEX)	22.3	6	6
10	Swiss Franc (CME)	17.6	10	12
11	Live Cattle (CME)	16.0	13	7
12	Soybean Oil (CBOT)	15.7	11	10
13	Crude Oil (NYMEX)	15.6	24	—
14	Major Market Index (CBOT)	13.4	—	—
15	Soybean Meal (CBOT)	12.6	12	9
16	NYSE Composite Index (NYFE)	12.3	14	13
17	T-Bills (CME)	11.4	15	11
18	Copper (COMEX)	11.3	17	16
19	Sugar No. 11 (CSCE)	11.2	18	15
20	British Pound (CME)	10.9	—	24
21	10-year T-Notes (CBOT)	10.6	25	—
22	Wheat (CBOT)	8.1	16	8
23	Heating Oil No. 2 (NYMEX)	7.9	21	21
24	Japanese Yen (CME)	7.3	19	14
25	Live Hogs (CME)	7.1	20	17

Source: CBOT



Trading floor of the Chicago Board of Trade. In October, Mr Robert Goldberg, chairman of the CBOT, and Mr Brian Williamson, chairman of Liffe, announced that the London and Chicago exchanges would jointly trade a "fungible" yen bond contract, probably from next year.

A global defensive strategy

International Links

ALEXANDER NICOLL

FUTURES AND options exchanges not only compete fiercely against each other. Just like stock exchanges, they feel chill winds blowing from developing off-floor markets.

Hence the fashion for trading links between exchanges, involving the application of communications and clearing technology in an effort to produce round-the-clock markets.

The trend reflects the desire of exchanges to add liquidity to their markets in any way possible. But it is also a defensive strategy to prevent them from being left out in the cold as financial markets become increasingly global in nature.

The largest international brokers and banks already trade on most exchanges around the world. It is to their advantage to pass orders on to the next time zone, to be able to get in and out of positions at any time, and to do so as cheaply as possible.

Mutual offset — allowing trades on more than one exchange to offset each other in calculation of net positions and margin requirements—represent an important step towards greater convenience and lower costs for such firms.

The development of parallel off-floor markets, such as over-the-counter currency options, forward rate agreements, and trades known as Exchange for Physicals, underline the need for exchanges to provide as full a service as possible to members who may be just as active off the floor as in the pits.

Exchanges can meet demand for round-the-clock trading in two ways: they can keep their floors open, and hope that trading firms will man the pits at uncivilised hours; or they can try to forge links with exchanges in other time zones.

Several attempts to form links have, however, run into thorny problems. Who is to regulate them? Do links involve the extension of one regulator's jurisdiction into another country? Would the regulator's power be weakened in the event of a dispute or fraud? Would investors who took advantage of trading links be properly protected? And how are they to be taxed?

Since the US dominates the futures and options business, most proposed links involve a US exchange. That means each application must come under the close scrutiny of either the Securities and Exchange Commission, or the Commodity Futures Trading Commission, or both. This takes time and effort.

Several extensive links are already in place. When the Singapore International Monetary Exchange (SIMEX) launched financial futures in September 1984, it did so in close association with the Chicago Mercantile Exchange (CME). SIMEX has three contracts—Eurodollar, D-mark and yen—which are interchangeable with identical CME contracts.

The SIMEX link was relatively easy to establish partly because there was no existing financial futures market in Singapore. The Monetary Authority of Singapore was closely advised by the CME in setting up the market's regulatory structure. Not surprisingly, this closely parallels that of the CFTC-regulated CME, and thus met US Government approval.

Essentially, the three current SIMEX financial contracts represent an overnight extension of the CME, and a significant proportion of their volume is done by members trading for CME customers, notably banks.

Trading was slow initially, but has picked up. Progress has been officially deemed satisfactory, and there have been no technical problems. Japanese banks are expected to become more active users of both exchanges as the Tokyo government relaxes restrictions on foreign futures trading by Japanese residents.

The success of such a link clearly depends on each exchange having faith that regulators in the other's country do not unilaterally impose damaging rules.

Similar faith underlies a more complex link between the Amsterdam - based European Options Exchange, the Montreal Exchange and the stock exchanges of Sydney and Vancouver. Their association affords the opportunity to trade gold options, if not 24 hours a day, then at least for 20—the odd hours being Sydney's stoppage for lunch, and a gap between Sydney's close and Amsterdam's opening.

The essence of the link is that traders can put in limit orders—to be filled when the market reaches a certain level. At the close of one exchange, the limit order book is passed electronically to the next time zone. Traders anxious about their position can sleep soundly knowing that if the market reaches the specified price, their order will be executed.

Recently, the Amsterdam and Montreal exchanges expanded the arrangement into currency options. The EOE introduced a "jumbo-size" £100,000 sterling/dollar option identical to Montreal's existing contract and the two became "fungible"—interchangeable. This has yet to have any noticeable effect on volume. Further additions are possible. Both Sydney and Montreal may add Australian dollar options.

The four exchanges are joined together by their jointly-owned clearing house, the International Options Clearing Corporation, based in Amsterdam. Links are naturally much easier to form if exchanges have a common clearer.

Mr Robin Schweitzer, superviser of options markets for the Montreal Exchange, says the exchanges met few regulatory problems in Canada, where provincial governments, in this case for Quebec and British Columbia, regulate financial markets. IOCC was set up as an international company which would comply with local Dutch standards and would also make special provisions for regimes in the Canadian provinces and Australia.

The link, like that of CME and SIMEX, has yet to be put to the test in a regulatory or trading crisis. But it would provide regulators with the right to demand information about individual trades if necessary, Mr Schweitzer says. He describes the arrangement as a "flexible framework based on a private understanding between the exchanges."

It is unlikely, however, that such flexibility can be obtained in a link involving a US exchange. Regulatory delays and problems in working out precise clearing arrangements have delayed until next year the London and Philadelphia Stock Exchange's plan to link their currency options.

Both exchanges, facing stiff competition from the rapidly growing number of exchanges also launching currency options, believe a link will give them the edge even though US residents are not allowed to trade foreign options. A large proportion of Philadelphia's existing business emanates from Europe.

One of the major problems faced by these two is that they have different clearing corporations, with different cost structures — the Chicago-based Options Clearing Corporation for Philadelphia, and the International Commodities Clearing House for London.

However, details of the link are expected to be worked out soon and the Securities and Exchange Commission, as well as the British authorities, are expected to give their blessing. A Far Eastern leg to the link is expected to be added later.

Associations are also planned between the Sydney Futures Exchange and the New York Comex, for gold futures; between the Chicago Board Options Exchange and Instinet, the computerised trading system, for equity options; and between the London International Financial Futures Exchange (Liffe) and the Chicago Board of Trade, for yen bond futures.

There are also many other more vague discussions under way. Liffe, for example, has been aproached by the Sydney Futures Exchange on Eurodollar futures, and has had talks with virtually every US exchange, which have yet to lead to firm decisions.

The problems involved are not just technical and regulatory. They are also political, in that contracts which are potentially fungible are also potentially in fierce competition with each other. Also, what may be in the interests of the large international brokers may not be so advantageous for smaller local traders and brokers on individual exchanges.

If one exchange trades 20 times the volume in a given contract than another exchange, the larger exchange may fear that a link with the smaller will sap liquidity and provide no benefit to its market, giving something away for nothing; but the smaller exchange may fear that a link would allow its volume to slip away completely to the larger.

"David and Goliath situations are quite difficult, whether you are the David or the Goliath," says Mr Michael Jenkins, chief executive of Liffe.

Despite such difficulties, the increasing globalisation of all financial markets, and the need for exchanges to keep their share of them, seem set to ensure that more links will be forged. They are unlikely to solve the liquidity problems of non-US exchanges at a stroke, but the attraction of at least some foreign participation may help.

Trading volume set to soar after Big Bang

Equity Options

JOHN PARRY

BY THIS time next yesr the traded options pitch on London's Stock Exchange could be handling anywhere between 25,000 to 50,000 contracts a day, according to one of its major users, brokers James Capel. The bigher figure would be s five-fold increse on recent average volumes.

Only part of this increase will be attributable to the effects of Big Bang. Market-makers and users alike are also convinced that there will be s parallel growth in option trading as private investors learn to profit from bighly leveraged trading.

Big Bang will end single capacity and fixed commissions in the underlying stock and traded option markets alike. Exactly how these chsnges will affect options activity is impossible to predict with sny precision. Pinchin Denny's Mr David Steen, chairman of the Stock Exchange's option committee, is convinced that the UK market will follow the example of the more established US options business, where the combined volume of options traded on all US exchanges is measured in millions of contracts. It is not unusual for a US option contract to trade three or four times more than the volume of trading in the underlying stock.

Mr Steen is also convinced that the increase in market-making capacity, which will emerge when the jobber/broker distinction is broken down, will lead to greater price-making risks. These will encourage more use of the defensive sspect of options.

He suggests that increased competition between more market-makers may increase both the volatility of prices and their exposure to a jobbing risk. Market-makers will want to offset that exposure. A market maker quoting two-way prices in a voletile stock could find himself funding a substantial loss if tbe price moves away after his offer price has been taken np. And, with more firms msking prices, the competition to make narrower prices will increase. Any market-maker who feels at risk from an adverse price move should buy option protection.

This additional demand for traded options will encourage increased competition among specialist option market-makers, which should lesd to more efficient prices than are presently svailable.

Mr Steen is sdamant that more efficient prices follow increased liquidity. But then Pinchin Denny is a jobber.

Brokers may not agree. James Cspel's David Heron, one of the msrket's biggest option brokers, considers that the use of traded options by clients, both ss outrigbt trsdes and as bedges, could bsve been incressed bad tbe bid/offer spreads on the premiums been nsrrower.

He quotes popular option premiums of around 25p eacb (giving a contract value of £250 for the 1,000 share option contracts) which show a 20p to 25p buy/sell spread. The option buyer has to expect en increase of 20 per cent on his original investment just tn come out even.

Mr Heron notes that such spreads, though commou, sre outside the ranges recommended ss guidelines by the Stock Exchange.

In fairness the common contention of the jobbers, that spreads will narrow in an active market, was borne out by the experience with British Telecom options. Smith Bros, the pitch's largest market-makers, recall that Telecom option spreads were less than balf the Exchange guldelines during their active period.

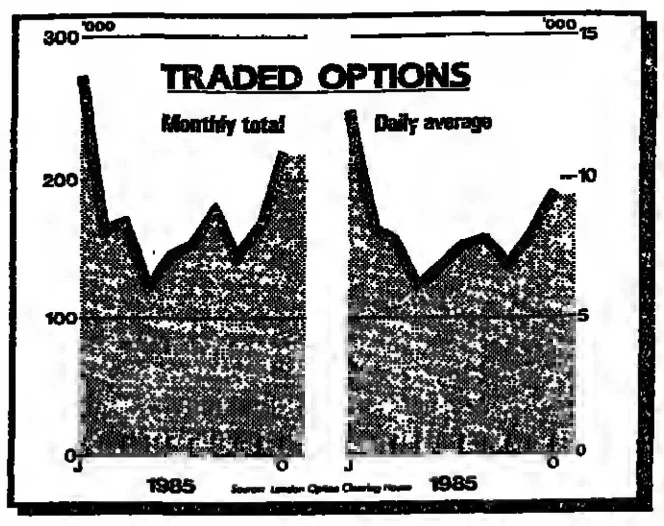
Brokers, sucb as James Capel, consider present commission levels are fair. A typical private client investment in say 10 option contracts with a 20 premium would cost £2,000 for the contracts plus £75 in and £46 ont, or 1.2p per share.

Given the rather more specialist nature of traded option dealing, Mr Heron does not expect a drastic reduction in commission level when the fixed structure is abandoned.

Fund managers, bowever, do expect reductions and are likely to exert pressure to get them, sccording to Mr George Dennis, investment manager of PosTel, the UK's largest pension fund.

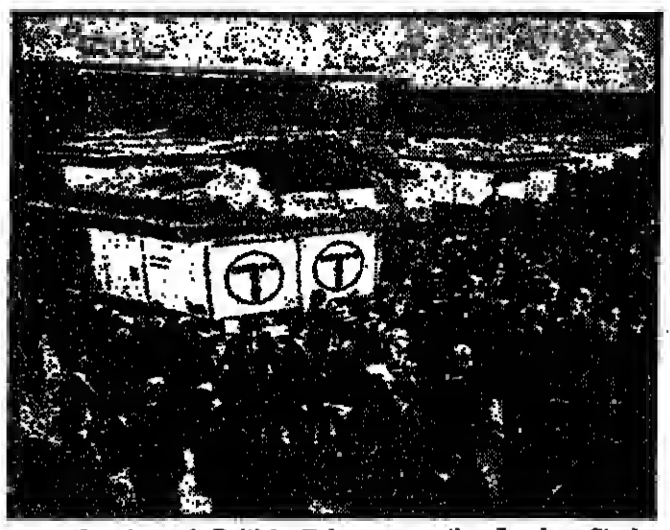
Mr Dennis, s supporter of options as a means of increasing flexibility and improving fund performance, considers that derivalives such as options are inevitably going to plsy an important part in an increasingly dynsmic market.

Improving performance includes reducing dealing costs, not just in big block share dealings but in the whole range of products offered by the industry. And if the new-look UK houses are not prepared to be so competitive the US houses are, be states.



If all this seems to be so mucb jockeying for a professional sdvantage before Big Beng, wbst will bappen to the privste investor anxious to try his skills st fortune-making in options?

The availability of more efficient prices, plus better liquidity in which to execute an order, should encourage more retall use of traded options. At the same time the demand from market makers especially will increase the number of stock options available from tbe present 32 to over 40 by 1986. Add these factors to the prospect of more intensive marketing of investment services and it seems clear thst traded options after Big Bang are going to cbsnge dramaticslly the traditionsl patterns of UK investment.



The flotation of British Telecom on the London Stock Exchange. The contention of jobbers that spreads will narrow in an active market has been borne out by experience with British Telecom options

Alexander Nicoll explains terminology in the options market

Knowing language is half the battle

OPTIONS are not as difficult to grasp as may at first appear. Knowing the langusge is half the battle. Here is a glossary of some key terms.

An option provides the buyer with the rigbt, but not the obligation, to trade a specified amount of an underlying entity at s fixed price within a given period. The end of this period is the expiry dste. The seller has the obligstion tn take the other end of the trade if the buyer exercises—that is, takes up — the option.

Options are availsble on a wide range of underlying entities, including equities, commodities, currencies, interest rates and stock indices. Some options are based on futures contracts rather than directly on the underlying commodity.

When an initial transaction takes place, the buyer generally psys a premium — that is, the price of the option — up-front to the seller, who is usually called a writer.

Optious are either traded — thst is, listed on an exchange and traded through members of that exchange — or "over-the-counter" (OTC) — that is, offered usually by banks and not tradeable. An American-style option may be exercised at any time before expiry, and s European-style option may be exercised only at expiry.

A futures contract provides the buyer with the obligation to take delivery of, and the seller with the obligation to deliver, *a specified amount* nf an underlying entity at a fixed price and set future dste. Once a position is opened, it can either be kept open until delivery at expiry, or closed by a reverse transaction — as is almost always the case. Options bring an extra dimension, because the buyer has additional avenues to follow. The option can either be sold, exercised either before or at expiry, or abandoned to expire worthless with no delivery taking place.

The most active OTC options are on currencies against the US dollar. The most active traded options are based ou stock indices. Like many options and futures contracts, they sre cash-settled, meaning thst delivery will be of a representative cash amount rather thsn in sctual shares of the companies in the index.

A call option provides the buyer with the right to buy the underlying entity, and a put option with the rigbt to sell the underlying entity. The writer thus bss the obligation to deliver the goods if a call option is exercised, snd the obligetion to take delivery if a put option is exercised. The premium of a call option will tend to go up if tbe price of the underlying entity is rising or expected to do so. The premium of a put option will tend to rise if the price of the underlying entity is falling or expected to do so.

Each option bas a strike price, the fixed level st whicb it msy be exercised. For example, a sterling $1.50 call option would give the buyer the right to bny a fixed amount of sterling in exchange for dollars at a rate of $1.50. It would become sttractive to exercise the option if sterling's actual level on the foreign exchange markets rose above the breakeven point—the sum of $1.50 and the price of the option itself. A buyer who paid 5 cents for a $1.50 option would save money on buying pounds if the pound rose above $1.55.

The price of an option will depend crucially on three things: the relation of the strike price to the market price of the underlying entity, the smount of time that the option has to run before expiry, and the volatility of the market price of the underlying entity.

If the strike price is st or close to the actual market price of the underlying entity, an option is said to be at-the-money. In the above example, a sterling $1.50 option is at-the-money if sterling is itself trading st about $1.50. If sterling is well below this level—in other words, if there is no inceotive to exercise it—the option is out-of-the-money. *If sterling is* trsding above the strike price —if it makes sense, other things being equal, to exercise it—tbe option is in-the-money. The difference between the strike price and the actual msrket level is described as an option's intrinsic value.

An option slso bas time vslue. The longer the time to run before expiry, the greater the chance that the option will at some point go in-the-money and bave intrinsic value. An out-of-the-money option has no intrinsic valne, only time value. An option with only a few days to run may or may not have intrinsic value, but will have very little time value.

The price of an option will also be affected, like that for any other commodity, by supply and demand factors independent of the technical components of the price.

A writer sets the premium according to the likelihood thst an option will be exercised. Ideally for the writer, an option will simply provide premium income and will never be exercised. Exercise will expose the writer to potential losses — just as sn insurance company will lose money if claims exceed its premium income.

Thus, the grester the likelihood of exercise, the higber the premium. The key factor enabling the writer to assess the *risk*, and thus set the premium, is the volatility of the underlying entity's price. If sterling has been steady at $1.40 for six months, it conld be argued that a $1.70 option *has little likelihood* of being exercised. If it has been fluctuating widely and rapidly, an option with a strike price at any level may represent a significant risk of exercise to the writer. In this case, the premium will be higher.

Writers employ formulae, usually written into computer software, which belp them to set option premiums by taking historical volatility into sccount. The most common formula, upon which most others are based, was devised by two Americans, Fischer Black and Myron Scholes, for stock options.

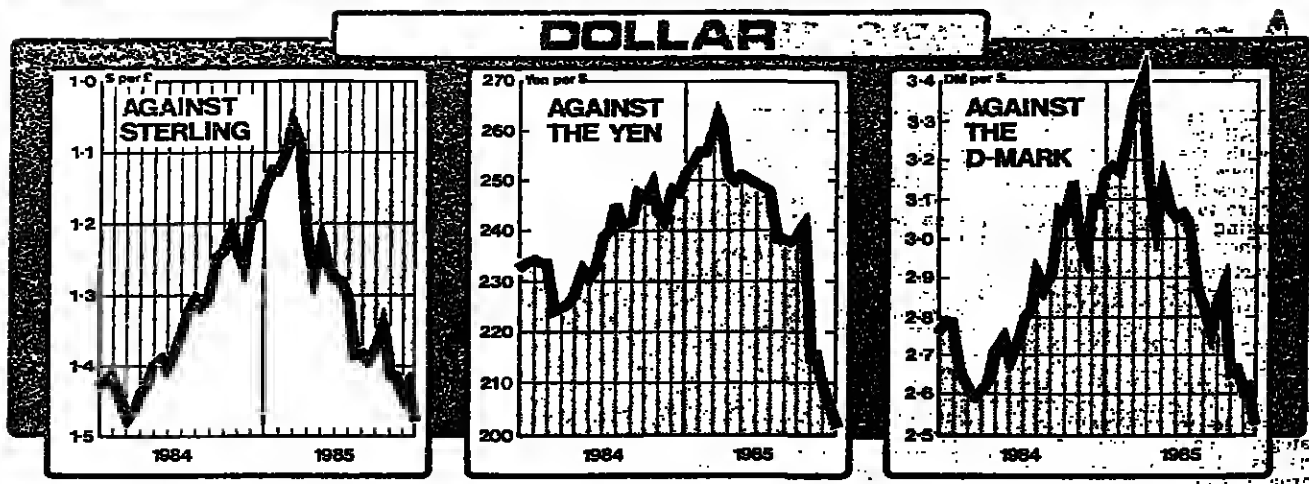
There is a wealth of additionsl terminology, notably describing combinations of purchases and sales of options which can be undertaken to meet investors' specific requirements and expectations sbout market movements. These include spreads, bntterflies, straddles and strangles. Brokers and exchanges publish explanatory notes about them. The Chicago Mercantile Exchange publishes a useful wall-chart.

Hectic scene on the Chicago Board of Trade. Both on and off the trading floor, options dealing is not as difficult to understand as it may first appear

A boon to the corporate treasurer

Currency Options

ALEXANDER NICOLL



MR JOHN HEYWOOD, a director of Hambros Bank, is well accustomed to evangelism. In the past few weeks, he has been in hotel pulpits from Oslo to Cheltenham, seeking to convert cautious corporate treasurers to the use of currency options.

Hambros is one of a handful of banks which, over the last three years, has created a market that is revolutionising foreign exchange market techniques, at least from the point of view of services provided by banks to the corporate user.

There are no reliable estimates of its size, but Mr Heywood says "We are continuing to see customer business increasing and the liquidity of the interbank market going up as well."

Growing in tandem with the individually-tailored options offered by banks has been trading of currency options on exchanges, beginning with the Philadelphia Stock Exchange in 1982 and spreading to Montreal, Amsterdam, Chicago and London.

Options offer the corporate treasurer extraordinary flexibility in managing currency risk. Until their invention, companies could either submit to the vagaries of the exchange markets and seek no hedges at all, or enter the forward market to lock in an exchange rate.

By buying an option in its simplest form, a treasurer effectively takes out an insurance policy, receiving the right to buy or sell currency at a specified rate if the worst happens. If, in fact, the market moves in his favour, he can still profit from the move, either leaving the option unexercised or selling it back to the bank.

The technique can be applied in a variety of situations, ranging from a lender for a foreign contract, to remittances to or from foreign companies and subsidiaries, to balance sheet risk. Needless to say, it can be infinitely more complicated than the simple outline given above. The flexibility afforded by options also requires imaginative and agile thinking in their use.

For corporate treasurers—an unknown breed in Britain only 10 years ago—options have contributed to a new level of sophistication in asset and liability management. The same revolution has been occurring in the dealing rooms of the banks which offer them.

Foreign exchange dealers, often seen as akin to barrow boys, have new colleagues, many with doctorates in physics or mathematics. For just as the customer has new and exciting ways to lay off risk, so the bank has exciting and dangerous ways to assume it.

Banks' ability to take on such risks was considerably enhanced by the arrival of traded options, of the same amount on exchanges.

Banks are active on both sides of the market, buying and selling options to other banks, and doing the same thing on exchanges.

The over-the-counter bank-offered market is undoubtedly far bigger than the traded option market, but their complementary relationship has been demonstrated by banks' backing of developments on exchanges, between which an intense rivalry has developed.

The Philadelphia Stock Exchange still leads the market, and is hoping that its position will be enhanced by a planned link with the London Stock Exchange. If this obtains regulatory approval and provided that clearing problems can be solved, currency options traded on the two exchanges will be "fungible" — interchangeable. US residents are not allowed to buy foreign options, but the arrangement is still expected to boost business because a significant proportion of Philadelphia's current business emanates from London and the Continent.

The link is due to be followed later with the addition of a third leg in either Hong Kong or Tokyo, providing banks with a 24-hour market to complement the round-the-clock underlying foreign exchange market. The London Stock Exchange trades only sterling/dollar and D-mark/dollar options, against Philadelphia's six currencies, but plans to introduce more.

The exchanges had hoped to have the link already activated but regulatory approval and clearing arrangements have proved more difficult to obtain than they expected. The delay has become increasingly irksome because the London International Financial Futures Exchange (Liffe) has meanwhile been making considerable headway with its sterling/dollar options, launched shortly after the Stock Exchange's in June.

In the US, Philadelphia's competition has scarcely been standing still. At the Chicago Mercantile Exchange, options on currency futures have significant volume, and the Chicago Board Options Exchange—where equity and index options have their biggest market—entered the currency options game in September.

The CBOE's contracts differ from the others in that they are specifically designed to be traded, seeking to attract broader floor interest than their rivals. The secret is that they are European-style rather than American-style—a distinction which has nothing to do with geography. American-style options can be exercised at any time before expiry, while European-style can only be exercised at expiry.

The CBOE's rationale is that American-style options discourage pure traders because they are liable to have to deal with unexpected exercises, delivering currencies that they never intended to have to buy. With European-style options, there is no danger of this. The timing of any likely exercise is known exactly, and the trader can easily close out a position before expiry.

Mr Nicholas Giordano, president of the Philadelphia Stock Exchange, is dismissive of the CBOE's version. "They have taken what was a utilitarian product and turned in into a speculative product," he says. He also objects strongly to the CBOE being allowed at all to offer a product so similar to Philadelphia's, believing that multiple listing leads to fragmentation of markets.

Rival exchanges have tried other ploys to make their products a bit different. The Montreal Exchange seeks to attract institutional interest by offering jumbo-size options, and also has introduced the first fungible link with identical contracts traded on the European Options Exchange in Amsterdam.

While the battle between exchanges has been raging, the bank market has been taking steps towards maturity. Its early days saw some large losses by North American banks which failed to protect themselves properly against the risks involved. Some have already withdrawn. Even now, the bankers who participate in the London OTC options market can easily gather in one not very large room.

About half a dozen banks in London, however, and a handful in Switzerland and New York, have become the market's core. They make reliable two-way markets in many currencies.

The most significant development has been the establishment of standardised terms for OTC options, published in August. Any bank dealing on Licom terms (London Interbank Currency Options Market) now knows exactly what it is buying or selling. A bank which uses the same terms when dealing with a corporate customer can hedge its position exactly in the Licom market.

The creation of Licom terms does not itself mean that OTC options have become tradable—an OTC option can be sold back to the bank but is not otherwise tradable—but it does help corporate customers to perform equivalent transactions by, for example, writing an option to another bank.

The products offered are rapidly becoming more sophisticated. Citibank says that it invented the "cylinder option," one of several mechanisms designed to reduce what many treasurers have seen as the high cost of using options. The cylinder user buys a call option and simultaneously writes a put option at a lower level.

The call option provides the normal protection against the currency going up. The put option still provides the company with some gain from the currency going down, but the gain is not unlimited. The income received from writing it partially offsets the cost of the call option.

A similar product, called a Range Forward Contract, has just been unveiled by Salomon Brothers in New York. Though neither precisely a forward contract nor an option, it combines some of the characteristics of a cylinder option and a forward transaction.

Cost has been a crucial issue in the development of the market, with many treasurers, though willing to use the market, finding it difficult to persuade their superiors that the up-front premium was justifiable, given that the option may never be exercised. Some bankers regard the mechanisms which are designed to reduce cost as gimmicks. If you want to buy an option, they say, you have to accept that it will cost money up front.

Practitioners have also had to allay suspicions that the options market was not just an undesirable way to gamble away money that should be spent on a company's main business.

Costs are also an issue in a fierce debate raging between the banking market and the brokers seeking to attract business through them into the traded markets. The banks argue that they provide a cost-effective market in which each transaction can be tailored precisely to the customer's needs.

The brokers argue that the traded market, where prices for both buying and selling are visible and close together, is naturally more efficient than the less visible bank market, where the customer is captive and may not get a good price when selling an option back to a bank.

Brokers also argue that the bank customer is effectively paying two commissions, for the bank will probably incur costs in laying off its position in the traded market. But bankers retort that they will not necessarily resort to the traded market since the interbank market is available.

The debate will continue, but the effect of the competition is simply that treasurers have a wide variety of methods from which to choose.

CONTRACTS TRADED AROUND THE WORLD

A list of financial futures and options contracts traded on exchange around the world.

CHICAGO BOARD OF TRADE
Futures: Treasury Band \$100,000, Treasury Nole \$100,000, GMNA \$100,000, Municipal Bond Index, Major Market Index and Nasdaq 100 Index.
Optinns on Futures: Treasury Bond \$100,000 and Treasury Nole \$100,000.

MIDAMERICA COMMODITY EXCHANGE (due to merge with Chicago Board of Trade)
Fntures: Treasury bonds \$50,000, Treasury bills \$500,000, British pound, Swiss franc, W German merk, Japanese yen and Canadian dollar.

CHICAGO MERCANTILE EXCHANGE
Futnres: Eurodollar \$1m, 90-day Treasury hills \$1m, Certificates of Deposit \$1m, Standard and Poors 500 Index \$500 X Index, Standard and Poors 250 Index (SPOC) \$500 X Index, British pound £25,000, Canadian dollar C\$100,000, Japanese yen Y12.5m, Swiss franc SFr 125,000, W German mark DM 125,000 and French franc FFr 250,000.
Optinns on Futures: Eurodollar \$1m, British pound £25,000, W German mark DM 125,000, Swiss franc SFr 125,000 and Standard and Poors 500 Index \$500 X Index.

CHICAGO BOARD OPTIONS EXCHANGE
Optinns: Standard and Poors 100 Index \$100 X Index, Standard and Poors 250 Index, British pound £25,000, Canadian dollar C\$100,000, W German mark DM 125,000, Japanese yen Y12.5m, Swiss franc SFr 125,000, French franc FFr 250,000 and Selected Treasury bonds and notes.

NEW YORK FUTURES EXCHANGE
Futures: NYSE Composite Index \$500 X Index.
Optinns: NYSE Composite Index \$500 X Index.

NEW YORK STOCK EXCHANGE
Optinns: NYSE Index \$100 X Index.

PHILADELPHIA STOCK EXCHANGE
Optinns: British pound £12,500, Canadian dollar C\$50,000, W German mark DM 62,500, Japanese yen Y6.25m, Swiss franc SFr 62,500, French franc FFr 125,000, Value Line Index, National OTC Index and Eurodollar.
Futures: National OTC Index.

AMERICAN STOCK EXCHANGE
Options: Major Market Index \$100 X Index.

NEW YORK COTTON EXCHANGE
Futures: Dollar Trade-weighted Index.

NEW YORK COFFEE SUGAR AND COCOA EXCHANGE
Fntures: Consumer Price Index.

KANSAS CITY BOARD OF TRADE
Futures: Value Line Index \$500 X Index.

NASDAQ
Options: Nasdaq 100 Index.

LONDON INTERNATIONAL FINANCIAL FUTURES EXCHANGE
Futures: Eurodollar \$1m, Three-month sterling deposit £500,00, Long gilt £50,000, Short gilt £100,000, US Treasury bond \$100,000, FT-SE Index £25 X Index, British pound £25,000, W German mark DM 125,000, Japanese yen Y12.5m and Swiss franc SFr 125,000.
Optinns: British pound £25,000 and Eurodollar \$1m.

LONDON STOCK EXCHANGE
Optinns: British pound £12,500, W German mark DM 62,500, FT-SE Index £10 X Index and Selected gilts.

EUROPEAN OPTIONS EXCHANGE
Options: Dutch guilder \$10,000, W German mark \$10,000, British pound £5,000, British pound £12,500, British pound £100,000, European Currency Unit Ecu 10,000 and Selected Dutch government bonds.

MONTREAL EXCHANGE
Options: Canadian Market Index S\$100 X Index, British pound £100,000, Canadian dollar US\$ 100,000, W German mark \$100,000, Swiss franc \$100,000, Japanese yen \$100,000 and Selected Canadian government bonds.

TORONTO FUTURES EXCHANGE
Fntures: TSE 300 Index, Long-term Canadian bond C\$100,000, 91-day Canadian Treasury bill C\$1m and Canadian dollar US\$100,000.

SYDNEY FUTURES EXCHANGE
Futures: All Ordinaries Stock Index A\$100 X Index, 90-day bank bill A\$500,000, 10-year Treasury Bond A\$100,000 and Australian dollar US\$100,000.
Options: 90-day bank bill A\$500,000, Australian dollar US\$100,000 and All Ordinaries Stock Index A\$100 X Index.

MELBOURNE STOCK EXCHANGE
Futures: Selected equities.

NEW ZEALAND FUTURES EXCHANGE
Fntures: NZ dollar US\$50,000 and Prime Commercial Paper NZ\$200,000.

SINGAPORE INTERNATIONAL MONETARY EXCHANGE
Fntures: Eurodollar \$1m, W German mark DM 125,000 and Japanese yen Y12.5m.

TOKYO STOCK EXCHANGE
Futures: 10-year Government bonds Y100m.

The list excludes individual equity options and all gold and silver contracts. All currency options and futures are against the US dollar. The list aims to provide a full but not comprehensive record of contracts currently available.

Agonies are well worth suffering

THE GROWING USE of financial futures and options recently spawned the establishment in London of The Options and Futures Society, a user group which has quickly gathered about 250 members and financial backing from the industry.

The society, an independent, non-profit-making body, was set up because many financial managers are unfamiliar with the heightened flexibility afforded by futures and options. It provides a forum in which to discuss their use.

Here, three of the society's members—a jobber who is its chairman, a unit trust executive and a corporate treasurer—offer an insight into the ways in which they use the markets.

CURRENCY options! Currency options! All too often nowadays banks with their keenness to develop new business and new clients oversell currency options as the cure to all requirements for thinking or taking a view on currency exposure.

In practice it is hard to get some members of the board to distinguish between paying an option premium and putting money on the 2.30 at Chepstow racetrack.

Once the treasurer has overcome the board's natural conservatism he must formulate a strategy. There are many varieties but a reasonable approach is to buy short options and save time value cost given that the chances are that at some time you will want to get rid of the option and lock into spot or forward money.

A variant geared to reducing premium cost is to buy a "cylinder" which essentially involves restricting your potential gain or loss to a cylinder of rates around the current spot price.

Eventually you have a strategy and then you go to your bank to do business. Being a sensible fellow you call a few banks for quotes and receive them, ranging from perhaps $30,000 to $45,000 to cover a $1m sterling put 6 month option (you are getting into the jargon by now). On enquiring as to the reason for this range of prices you are immediately bamboozled by terms such as "delta" and "Black and Scholes."

Further, you notice over time an inconsistency in pricing by even your favourite banker. You *then realise that option* prices are actually dictated to a large degree by the mysterious "delta" factor, or volatility, which is derived on a scientific, accurate basis from work done over many years by Messrs. Black and Scholes in America. If you then look to the UK option exchanges, which are increasingly influencing prices, you will realise that Black and Scholes is by no means definitive and at times is thrown to the winds by pure speculation.

At long last you have made your decision and are the proud owner of your first option. Sterling strengthens and your put option becomes an increasingly wise decision, you are not locked into a forward and you are riding high on spot. You, as all corporate treasurers must, will have to attempt to forecast your exchange management performance over the next month, quarter or year. Should you ignore the profit potential of the spot versus your option and keep it "up your sleeve"? If you do, it will surely be dragged from you as compensation for that premium paid only a while ago.

The agony then resurrects itself, do you lock into a forward and sell your option or buy another option and another premium, or go forward, or wait? If you wait and sterling weakens, your halo rapidly falls down below your neck. If you look to sell you will find the option you hold to buy dollars (a sterling put) at what looks like a bad rate would be virtually worthless, whether or not it has time value left.

However, all the time you are gaining experience. The board are so impressed by now that they may ask you to hedge against, say, the Swedish Krona. This proves a problem since Sterling/Swedish Krona options are not available at a reasonable price since there are no exchanges trading currencies in this way and banks thus have to hedge positions in their own books.

You may then want to hedge a position that is perhaps two years away, liquidity then becomes a real problem and pricing appears random at times. In short, the market is in its *infancy*.

It is now your year end and your accountants disagree with you over the way you want to treat your option premium and no one can be quite sure whether you are actually hedging commitments or trading currencies. The tax man is attempting to tax your gains at one rate and your losses at another, and it is now that you discover that there are no clear rules in this area for you to refer to.

The point to remember throughout all of your agonies is that they are well worth suffering since options can make your company a fortune and will most certainly catch on over the next few years as forwards did in the 1970s. Options are here to stay, and grow, but you must know what you are doing!

The writer is a senior manager in the treasury department of a UK division of a US-based multi-national, and a regular user of option markets.

Options pitch of the London Stock Exchange. Big Bang is forecast to have a strong impact on turnover

Decrease in risk to the unitholder

BY NIGEL FOSTER

Following discussions between the Unit Trust Association (UTA), the Association of Corporate Trustees (TACT) and the Department of Trade and Industry (DTI) an understanding was reached in 1983 on the conditions under which authorised UK unit trusts could invest in traded options.

The vast majority of transactions since then have been the sale of call options against existing security positions. The purpose has been primarily to achieve a target sale price higher than had been available in the underlying share market.

Other reasons for selling call options have been to decrease overall portfolio risk and to protect capital gains in those shares it is necessary to hold if portfolio income objectives are to be met (for example call option selling over BP, Shell and Lonrho dividend payment periods).

The purchase of call options, while undertaken less frequently than call options selling, has proved a most useful investment tool during periods of bid speculation. By limiting the downside risk to the call premium paid, portfolios have achieved the maximum upside potential available while reducing unitholders' risk if a bid fails to materialise (for example BTR's bid for Dunlop and Lasmo bid speculation prior to the rights issue). Call option purchase has also been used to obtain exposure to US equities with minimal currency exposure to the strong US dollar. The purchase of put options has been undertaken primarily to protect large capital gains which have taken place over a short period. Purchase of put options has also been used to protect capital gains over ex-dividend periods.

Save & Prosper believes that the use of traded options, as summarised above, has decreased unitholder risk in all cases.

The reaction of unitholders with investments in unit trusts which have used traded options has been positive. It is of interest to note that the majority of unitholders appear to be well aware of the reasons why traded options have been used, namely, as an additional investment tool for the control of risk.

The investment limits set out in the Statement of Policy made by the UTA, TACT and the DTI in 1983 are, in Save & Prosper's view, at a sensible level. Even in the most active funds the *limits have not been* approached. Thus they have not proved to be an inhibiting factor in the prudent use of traded options.

Since 1983 the importance of traded options has grown rapidly. This is clearly demonstrated by British Telecom, the UK's largest and heaviest traded security. The volume of the traded options market is almost as great as in the underlying share market.

The prohibition on the writing of put options (which may be allowed soon), in the view of Save & Prosper, prevents a major prudent use of traded options, namely, the ability to buy stock forward at a discount to the market price. S & P believes such usage is as important as the principal function of selling call options which is to sell stock forward at a premium to the market price.

Nigel Foster is investment manager of Save & Prosper.

Emphasis will switch away from arbitrage

By Nic Stuchfield

WEDD DURLACHER was a founder member of both the London Traded Options Market and Liffe. The firm's primary activity is stockjobbing, where it is a force in the gilt and equity markets—including overseas equities. As a consequence dealings in options and futures have tended to be concentrated on gilt and equity based products, rather than currencies, short-term interest rates and US treasuries.

Wedd's dealings as a principal in options *and futures* takes three forms: "scalping," "hedging," and arbitrage. The first of these, scalping, involves intermediating between buyers and sellers who may be in short-term dis-equilibrium. Whether as a market maker in options on the Stock Exchange or in its short-term trading on Liffe, Wedd adds liquidity to the markets and in return get benefits: dealing cost concessions and the comfort of the bid-offer spread in the Stock Exchange (where market-maker *status imposes obligations) or,* in Liffe (where there is no market-maker status and thus no obligations), present the opportunity to make money.

The direct boost to company *profitability has tended to be* relatively limited. The indirect benefits in terms of market information, and the ability to deal in size, are probably sizeable, though unquantifiable.

The second form of activity—"hedging"—would not normally appear in quotation marks. However, for a trader the notion of a hedge has difficulties. To be sure, options and futures are used in position management, but *would you describe a purchase* of £10m worth of gilt futures a hedge if it increased the firm's exposure to a bull position in £20m? Probably not. Such circumstances are far from rare. The aim is not to hedge as such, but to bring about a desired level of risk which in a risk-taking business may or may not be zero (if that is possible). In this respect, the macro-market instruments—the gilt futures and the *FTSE* futures and options—are most frequently used, although individual stock options do play a part in position management at a micro level.

Finally, there is arbitrage. The different composition of the markets together with the dealing cost inefficiencies of the stock market entail that arbitrage is not only possible but also on (increasingly) rare occasions quite lucrative.

As a stockjobber Wedd has both advantages and disadvantages as an arbitrageur. The advantages clearly lie in its ability to borrow stock and the fact that as market members it pays no commissions. The disadvantages are that dealing between jobbers in stock is severely proscribed by Stock Exchange custom and practice—whereas brokers and clients can deal at the market "touch," the Wedd arbitrage area can only deal at its own trading book's bid offer spread.

Additionally, the *fact* that as a stockjobber Wedd is forced by its nature to act passively—to buy stock only when people want to sell and vice versa—may make arbitrage effectively impossible; no one may want to buy the relatively dear stock which Wedd wants to sell as an arbitrage, for exactly the same reason as Wedd wants to sell it! In the futures market Wedd has no such problems, but for Cash-Cash and Cash-futures trades this factor is significant.

Big Bang will undoubtedly change matters. Risk averse market-makers who see market-making merely as a painful prerequisite of earning commission will use the options and futures markets to lay-off risk and will increase turnover. These players may for a while make arbitrage more fruitful as they would rather dispose of their risk than worry about relative value, but this phase is likely to be very transient. The pressure will be to scale down market-making commitment to those levels of risk at which the newcomers feel comfortable: the emphasis will then be to look for switches, straddles, basis trades and all the other strategies which purport to make riskless turns. Don't be an arbitrageur then.

Nic Stuchfield is a partner of Wedd Durlacher Mordaunt, and chairman of The Options and Futures Society.

Potential begins to be fulfilled

Interest Rate Hedging

ALEXANDER NICOLL

ALTHOUGH it was with an interest rate contract that financial futures were launched 10 years ago, it is only within the past year or so that the full potential afforded by interest rate hedging techniques has begun to be realised.

At first, interest rate futures—beginning with Government National Mortgage Association bonds—were just another contract for the Chicago commodity pits. But after the Federal Reserve abandoned targets for interest rates in favour of the monetary aggregates in 1979, setting the stage for higher and more volatile rates, major bond market players and banks began to appreciate the advantages of the futures markets.

At the same time, banks' corporate customers were frequently suffering from volatile exchange rates. This led to the development of far more sophisticated methods of handling currency risk, particularly through options. Now, treasurers are beginning to be persuaded that a wide variety of mechanisms are available to help them deal with interest rate risk as well.

Just as in the currency markets, a range of products which can be tailor-made by banks to fit the needs of individual customers is developing alongside traded futures and options contracts.

This means that many companies may be indirect users of the futures and options markets, perhaps even without realising it. Some of the new markets, however, are still in a fairly illiquid state.

By far the most active futures contract anywhere — and recently breaking new volume records—is the Chicago Board of Trade's long-term Treasury bond future, now supplemented by active options on the futures contract.

The bond pits are dominated by the major New York commercial and investment banks, reflecting not only the volatility of interest rates but also the sheer volume of US Government debt being issued.

At the short end of the interest rate spectrum, the focus has changed in recent years from CD (Certificate of Deposit) and Treasury bill futures to a three-month Eurodollar deposit contract. All three are traded at the Chicago Mercantile Exchange.

With London the centre of the Eurodollar market, it is scarcely surprising that a Eurodollar future should have become the most active contract traded on the London International Financial Futures Exchange (Liffe). Liffe also has a range of successful sterling interest rate futures, ranging from three-month deposits to long gilts.

> Just as in the currency markets, a range of products tailor-made to fit the needs of individual customers is developing

Interest rate futures have sprung up on many other exchanges, from Rio to Tokyo, and options are also coming on stream — so far, only the T-Bond options have really taken off. The latest trend is towards trading contracts on foreign debt instruments. Liffe already trades a US T-Bond contract, and plans, in conjunction with the CBOT, to trade Japanese government bond futures as well.

Successful interest rate contracts, like any futures product, combine a degree of activity by speculators, whether individuals or banks trading their own book, with commercial hedging. Banks or investing institutions hedge their portfolio exposure. Banks also hedge the exposure which they assume by offering a rapidly expanding and complex range of products to their customers.

Banks have developed the Forward Rate Agreement (FRA), which has the characteristics of an "over-the-counter" futures contract. It is similar to already existing "forward/forward" deposit contracts, and enables the customer to lock in, for a specified period, an interest rate on a deposit or loan. When the contract expires, the amount settled is simply the difference between the locked-in and actual interest rate, and not the principal sum itself.

An active interbank market has developed in FRAs, with the participation of London money brokers, and is expected to grow further following the recent establishment of standardised terms (known as FRABBA terms) by the British Bankers' Association.

The BBA has also set standardised terms for swaps, which have also added to the corporate treasurers' flexibility. The concept arose not from futures or options, but from anomalies between capital market borrowing rates.

Effectively, a borrower *can* sell an advantage gained from borrowing in a specific market where it has a high credit rating, in exchange for an advantage gained by another borrower in another market. Both thus adjust their borrowing terms to fit their specific requirements, and attempt thereby to lower their respective costs.

Typically, a bank swaps a low fixed coupon for a cheap floating rate, and a counterparty locks in a fixed rate instead of an unpredictable floating rate. Increasingly, however, the swaps market has become a trading market between banks.

The option concept has been applied in devising means to protect a borrower or lender from an adverse interest rate market move, while still allowing him to benefit from an advantageous move.

Though high costs have so far militated against the development of a liquid market in interest rate options, corporates can buy interest rate caps, particularly for fairly short maturities of up to about two years. Some British companies, such as Cadbury Schweppes and GKN, have arranged well-publicised caps for longer periods.

These have raised questions, however, about whether a bank can effectively cover the risks it takes on in selling them. Nevertheless, Citibank in London says that it has arranged caps of up to 10 years.

Increasingly, investment banks are applying the concepts in devising complex bond issues, such as bonds with warrants. In such cases, the bank and the borrower will need to cover the risks incurred, both during the issue itself and as a result of its specific terms, on futures or options markets.

As yet, there is no contract affording an efficient hedge to the Eurobond market. The disparity between issuers and types of issues has made the creation of a contract too difficult. The *CBOT's recent* introduction of a Municipal Bond Index contract, however, based on prices of key representative bonds, has given new hope that a similar exercise could be performed for Eurobonds.

Playing it by the book

Betting on Indices

ALEXANDER NICOLL

WHERE can you take a tax-free punt on the FT 30-share Index, the price of potatoes, or US Treasury bond futures?

Not, obviously, on any recognised futures exchange, from which your winnings are taxed in the UK as capital gains. There is in any case no futures contract based on the FT Ordinary Index.

The answer is that if you have money to burn or a position to protect, you can turn to a trio of companies that make up Britain's financial betting industry: City Index, IG Index and Ladbroke Index.

*What they offer is a book*making service, pure and simple, even if it is dressed up to resemble established financial markets. It is not, however, the same as "odds betting," where you bet on a particular *horse winning (or some other* event). Then, your losses are limited to your stake, and the size of your winnings depends on the event's unlikelihood, as assessed by the bookmaker.

Financial markets are unsuited to odds betting. They either go up, down or stay the same, and participants' gains or losses depend on the extent to which they move.

The bookmakers therefore allow you to bet simply on either an upward or a downward movement. The better on an upward movement is similar to the buyer of a futures contract. If the price goes up, his winnings will be commensurate with the extent of the gain. But, as in futures markets, the potential losses from a market move against the punter can be unlimited.

This is how it works. For each underlying market price, say for gold, the bookmaker makes a spread. *If gold is at* $325 an ounce in the London bullion market, the spread he gives may be $324-$327, though it does not necessarily straddle the current market level.

If you think the price is sure to *rise*, you *ring* the *bookmaker*, ask for a spread, and make an "up" bet, in effect becoming a "buyer." You "buy" at the higher level of the spread. If you want to make a "down" bet, effectively "selling," you do so at the lower level of the spread.

The bet is for an agreed amount, say, £5 per "point"—so that you win £5 for each dollar that the market rises above your "buy" level.

In this example, gold rises sharply, and you decide to take your profit. Your winnings are based *usually* not on the actual market price, but on the spread that the bookmaker is now offering. The market price is $342, but the spread is $337-$340. You "sell"—close out the bet—at the lower level, making a profit of £50—£5 times the 10-point difference between your "buy" and "sell" levels.

The bookmaker's secret is the spread. It is this which stacks the odds in his favour, since the market must move some way before it starts to make money for the punter, and because the spread is set by the bookmaker, not the market.

All three companies offer bets on the FT 30, the FT-Stock Exchange 100 Index, gold, the sterling/dollar rate and the Dow Jones Industrial Average (though City Index, out of sensitivity to the proprietors' copyright claims, calls it "Wall Street.") City Index also offers the Hang Seng Index, the dollar/D-Mark rate, as well as silver, UK gilt, US T-bond and Standard & Poors 500 Index futures. IG Index's range is broader still: it will make a spread in virtually any market where there is an underlying futures contract, including commodities.

The nature of the business means that both the punters and the bookmakers are exposed to large risks from *market fluctuations*. To cope with these, the companies adopt differing credit policies towards their customers and take contrasting approaches towards hedging their risks in the markets.

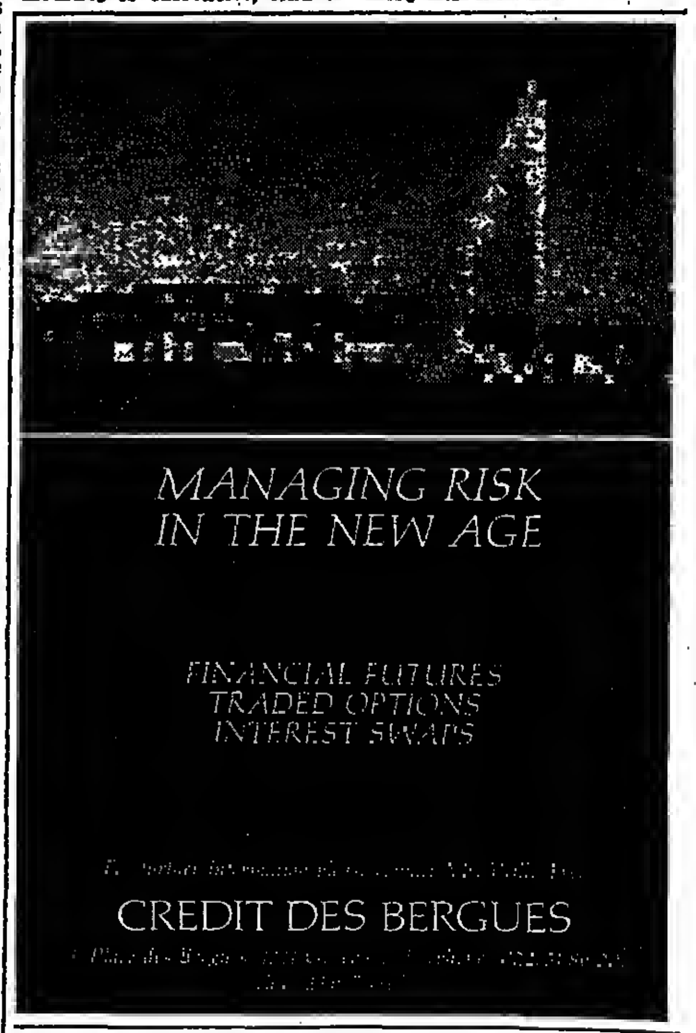
Both IG and Ladbroke say that they hedge their exposure in the futures market, even though *precise* hedges for some of the indices, such as the FT 30 and the Dow Jones, are not available.

City Index style appears rather less formal. It aims for high-spending punters, sets large credit limits and demands no up-front deposits. It does not usually hedge. Mr Christopher Hales, joint managing director, who ran the Ladbroke rival—formerly Coral—with Mr Jonathan Sparke *until they set up their own com*pany in 1983, *says* their experience shows that most clients do not end up big winners. With the odds already in the bookmaker's favour, there is no need to hedge, he says.

IG index offers perhaps the most daring products: bets on traded options. "For people seeking speculative opportunities in the real sense of the term," says its brochure, "traded options have much to offer." The point is that options, be they on equities, indices, commodities or currencies, tend to show far greater and faster price movements than the underlying market.

Bold punters can make "up" bets on either "calls" or "puts," staking a small amount on the likelihood respectively that the underlying market will either rise or fall, causing sharp rises in the prices of the options and making them a fortune.

"Multiplying your money by 10 *in* a traded option is not at all uncommon—but it must be added that losing all the money you risk is commoner still," says IG Index. The boldest of all punters could take a "down" bet. This is the equivalent of "writing" an option, and exposes the better to the significant possibility of losing a lot more than his shirt.



Advanced technotogy allows dealers on Liffe (above) to compare their prices with those of the London Stock Exchange

Clearing in line for development

Technology

ALASTAIR GUILD

THE 24-hour market in futures and options which is emerging will depend increasingly on the high speed transmission of information across rontinents. Fast communications will enable traders to shift risks around the clock, replacing national capital markets with an international one.

According to Mr Bernard Reed, the London stock exchange's (LSE) options group manager: "Tha need for international distribution of volume and price information is already well served by existing information vendors. The next major development will be in the transmission of clearing information bewteen exchanges."

"It is important that we know how prices are moving on other exchanges and for them to know bow our market is changing," says Mr Neil Blurton, systems development manager at Liffe. Information is transferred using traditional quote vendor services such as Reuters, Telerate and telepbone links.

"However, the problem with taking a view on a market price from quote vendors is that traders can lose valuable time. Qnote vendors take market pricing information from different exchanges across the globe, but the manipulation process means a possible delay of up to one minute between a price being made in a pit and coming up on screen. A minute is a long time in futures trading," says Mr Blurton.

Though many of the future and options contracts traded in exchanges across the world are modelled on U.S. contracts, there are subtle differences in contract rules. Hence, altbough there is a wide range of computer-based trading systems and data bases marketed in the UK, they are essentially based on American, rather than UK contract rules, and are not directly appllcabta to overseas markets. That has so far deterred many brokers, institutions and individual investors from buying such systems.

However, major suppliers of U.S.-based systems are now becoming more responsive to the specific needs of the London market and, should the numbers and volume of futures and options contracts on the London markets increase, so should tha range of systems available, thus bringing down the prices of systems.

Dr Jacqnes Pezier, a director of Investment Intelligence Systems, already sees the London market for trading systems as buoyant. His company's General Options Valuation Programme, modelled on UK trading practices, is divided into four distinct sections, each of wbich can be separately purcbased.

Compatible

A valuation model evadluates options against the underlying instrument, the program can belp with portfolio bedging, can provida an accounting system and will generate reports for regulatory authorities. The program runs on an IBM PC or an IBM8 compatible machine such as an Olivetti M24.

The system can also link to national or international data feeds on futures or options and will shortly be linked into Reuters and other quote vendors. "That is very importandt; brokers don't want to do a lot of key punching," says Dr Pezier.

Tbe demand for options and futures packages in Switzerland and France is also picking up, be states, with the easing of regulations on options and futures trading on international markets.

There is some way to go, however, for Europe to match the penetration of valuation programs already seen in Nortb America. Outside the U.S., the price of packages for assessing futures and options trading opportunities would probably deter the individual investor wbo will rely instead on his broker. In America, the sophisticated private investor runs valuation programs on a personal computer and ia supplied by specialist "bouses" with discs updating market prices and volume information.

By some accounts, systems bave still to satisfy the total requirements of UK institutional investors or brokers. In 1983, when unit trusts were first allowed to use traded options, Nigel Foster, Save and Prosper's investment manager, looked around for a system to evaluate UK stock options. He could not find any one package that fitted his requirements then, and feels be bas no particular reason to change that view.

"Our system has to provide accurate and efficient evaluation of options, to measure the performance of options in reducing the risk of a portfolio and any system should link options to the underlying stock positions. We ended np devising and running our own system for measurement."

Save and Prosper then chose Bridge Data's portfolio monitoring and real time pricing system for U.S. stocks and options, with these pricing facilities recently expanded to cover UK stocks and options. The trust also makes use of investment decision-making facilities provided by UK stockbrokers on TOPIC.

Sheppards and Chase, the first brokers to put a service on TOPIC, did not find it so cost-effective. "A number of brokers bave a service on TOPIC but many of our clients still prefer bits of paper," says Mr Charles Williamson, bead of traded options.

The firm, which primarily trades on the London Stock Exchange but is also a member of the European Options Exchange in Amsterdam and deals on the U.S. options exchanges, takes instead a daily print-out from Datastream. This gives theoretical values and half a dozen rates of return for London and Amsterdam markets. "Eacb day, before the market opens, we look through closing option prices to pick out overvalued and undervalued premiums and, at the same time, relate this information to the underlying share price," says Mr Williamson.

Sbeppards also runs a few programs of its own on an IBM PC, for example, checking out rates of return on "buy writes" and uses it also for conversions.

Sophistication

"In my opinlon, there is not yet a first class service available at an economic price which offers the sophistication of U.S. systems. I hope that one day someone will offer us that but to a degree it must be a function of volume in the market which London does not yet have," Mr Williamson states.

However, Mr Barry Bird, head of traded options at Lang and Cruickshank which bas just taken delivery of a service from Enigma Systems, says it represents an important development for the London market. Enigma has taken U.S. modelling techniques and, in conjunction with Extel, offers a full analysis package, consolidating information fed directly into the system from Liffe, the Stock Exchange and the banks.

With two-thirds of currency options trading done "over the counter," the consolidated feed will help corporate traders and institutions find a better deal on premiums, says the company.

Using the system, dealers can simultanenusly compare prices from the Stock Exchange and Liffe, while the rompany bas plans to include U.S. options prices.

Next year's cbanges in the market, witb the integration of option and share dealing, will make it increasingly important to bave an information system to match.

Early setback for Tokyo bond futures

Japan

YOKO SHIBATA

AMID world-wide attention, the bond futures market at the Tokyo Stock Exchange (TSE) was opened on October 19. However, trading bad an unfortunate start, witb the market falling sbarply only a week after it opened. As a result of the decline in prices, transactions ceased for two days on October 25 and 26. Such an inauspicious start was an important setback for the sound evelopment of the futures market is considered as a step towards the liberalisation of Japan's financial markets.

Bond futures started in extremely active trading, with a value nf Y7,000bn. This compared with earlier market expectations of around Y1,000bn. However, cash bond prices plummeted when panic spread following remarks made on October 24 by the Bank of Japan governor, Mr Satoshi Sumita. His statement nn pusbing short-term interest rates higber, sn as to dampen expectations on lower rates wbicb had fanned the bond market advance, forced down cash bonds prices whicb in turn pulled down futures prices.

Investors wbo bought bonds at bigb "Goshugi" (commemorative) prices on October 19, lost money and were compelled to put up additional cover. Out of the total Y7,000bn turnover on first day trading, Y500bn was accounted for by private investors, whose additional cover was estimated to total Y5bn.

Before the opening of the futures market, debates centred on the absence of spectative investors in Japan, compared with the US. The worry was that a debacle in Tokyo bond futures migbt scare off wealthy private investors.

The bond futures market was needed by the Japanese Government, because of the rapid rise in its debt.

Government bonds outstanding at the end of Marcb 1985 reached Y125,000bn. Public bonds changing hands amount to some Y2,000,000bn a year.

In order to avoid the conseqnences of fluctuations of interest rates the bond futures market was seen as an essential means of bedging risk. A sense of orgency at the governmentsl and private level on this matter prompted the launcb of tbe Tokyo bond futures market at sucb a speed that it was opened only 15 months after the TSE announced its proposals to start futures trading.

The futures contract traded on the market is based on the standardised 10-year 6 per cent Government bonds listed on the Tokyo Stock Exchange. There is no trading flonr and bond futures are traded by telephone through 83 member securities bouses of the TSE and 55 special participants — 37 financial institutions including three foreign (US) banks and 18 non-member securities brokers including eigbt foreign brokers.

In order to add liquidity to the Tokyo bood futures market, Yen bond trading is open to foreign investors.

At the same time, banks and securities houses are being allowed to trade overseas financial futures. This month Japanese securities houses started futures trading US bills and bonds and banks began trading currency and interest rate futures.

The Chicago Board of Trade. Trading volume records have been set in recent weeks

Fast growth on back of market volatility

CONTINUED FROM PAGE ONE

computer tests showed that 38 per cent of Futures Commission Merchants (FCMs) would have been adversely affected if the proposals had been in effect on June 30—a time of low volume and volatility.

The proposals "would have had a devastating effect on firms carrying out grain bedging business in 1983 and firms carrying substantial financial hedging business in 1984."

One provision would bar firms from entering into repurchase transactions with each other—a major activity providing liquidity in the government securities market. Primary dealers in government securities, the CBT said, would thus be forced to choose between dealing in the casb and futures markets.

At least some large broking firms have backed tbe CBT's stand. Merrill Lynch Futures said the CFTC proposals "could significantly impair the ability of many smaller FCMs to continue in operation in their present form."

The effect, it said, would be "increased institutionalisation of the business—fewer and larger FCMs and greater dominance of the markets hy larger institutions with easier access to the exchanges."

Cargill Investor Services, one of the most respected firms, terming the CFTC proposals an "over-reaction," said they would force it to more than double its capital. "It is probable that we would have to advise our owners that this is no longer a viable and worthwhile business enterprise."

The CFTC says the measures are designed purely to protect investors. "We are not interested in putting anyone out of business, but we are interested in making sure that customer moneys are protected in the marketplace."

The regulators also have otber plans. The CFTC bas proposed thst *all* orders received from customers should, for their protection, be time-stamped within a minute of being filled.

Both the CFTC and the SEC are taking steps to reduce expiry-date arbitrage in stock index futures and options, perceived to cause share price swings whicb may be detrimental to the small investor. Exchanges are being asked to limit the size of positions held on the last day of a contract.

It is not just from the regulators that the industry faces trouble. With futures and options already baving created a new level of sophistication in risk management, the trend is towards even more sophisticated products which can be tailor-made to meet specific needs of a corporate treasurer or investment manager. Banks offer complex packages designed to maximise their clients' returns and minimise their risks.

Much of this type of business works indirectly through to the futures and options markets, as banks lay off the risks they incur in selling such products to their customers. But some will not. The growing market in currency nptions, for example, is largely off exchange floors, even though a growing number of exchanges have entered the husiness. Banks have also developed Forward Rate Agreements, which are essentially *tailor-made* futures contracts not traded on exchanges.

A further challenge springs from the internationalisation of all financial markets. This has made it necessary for exchanges to find ways for their traders to open and close positions at any time of the day or night.

All of them are jockeying for position in an attempt to forge advantageous links with other excbanges, though such ties have yet to bear *substantial* fruit.

At least the pit traders have for the time being survived one threat to their livelibood. An automated exchange called Intex, set up by venture capitalists who believed that the open outcry trading method was outmoded and inefficient, has failed to attract volume to its gold and freight rate futures contracts.

To the outside observer, face-to-face trading may appear chaotic and exhausting, providing inordinately good business to the makers of throat sweets and thick-soled shoes. But pit traders swear that it is in fact highly disciplined, and, in an active market, provides the most efficient price discovery possible.

FINANCIAL TIMES SURVEYS 1986

Among the surveys planned for next year, it is proposed to publish the following on Banking and related subjects. These are in addition to the normal programme of surveys on Banking and Finance in particular countries.

January	INVEST IN BRITAIN
February	COUNTERTRADING
March	INTERNATIONAL CAPITAL MARKETS
April	WORLD BANKING
May	FOREIGN EXCHANGE
June	CORPORATE FINANCE
September	FINANCIAL FUTURES AND OPTIONS
September	UK BANKING
October	INTERNATIONAL FUND MANAGEMENT
December	VENTURE CAPITAL

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday December 11 1985

Siemens to buy US dental group

By William Hall in New York

SIEMENS, the big West German electronics group, is buying Pelton & Crane, a leading US supplier of dental equipment, in a move which will strengthen its position in the US dental market.

Siemens said yesterday that Bristol-Myers, the consumer products and health care group, had agreed to sell Pelton & Crane to Siemens Medical Systems, which is a leading company in the US medical equipment market. Nn terms were disclosed.

Pelton & Crane employs about 500 people at four locations in the *Charlotte*, North Carolina, area. The firm designs, manufactures and markets equipment for the dental profession.

Siemens Medical Systems is a diversified supplier of sophisticated medical electronic equipment for hospitals and health care professionals in the US and is particularly strong in tha X-ray area. The company says Pelton & Crane's dental equipment manufacturing operatinns will complement its X-ray supplies.

Bernard Simon in Toronto reports on a man who has left his mark on Canadian business

Question of roles for new man on Fleet Street

MR CONRAD BLACK'S ability to breathe life into the Daily Telegraph may depend on whether the outspoken right-wing Canadian plans to run the newspaper as Black the financier or Black the manager.

The 41-year-*old tycoon's flair for* acquiring, restructuring and disposing of companies is unquestioned. He has left an indelible mark on Canadian business since he and his elder brother, Montegu, wrested control of two investment holding companies, Ravelston Corporation and its subsidiary, Argus Corporation, from some of the pillars of Toronto's Anglo-Saxon establishment in 1978.

From Argus's doric-columned building (once a post office) in downtown Toronto, the brothers have parleyed their initial investment of C$18m (US$13m) into holdings estimated to be worth well over that.

Mr Black, who seldom uses a short word when a long one will do, explained his business philosophy as follows to his biographer, Canadian journalist Peter Newman, as follows: "A spirit of moderate acquisitiveness is not un-akin to a sense of self-preservation. It is a motive that has not failed to move me from time to time."

One Toronto securities analyst observed that Mr Black is "a financier, a wheeler-dealer sort of guy – and that's what he's good at. He's never pretended to be an operating man."

Argus has discarded almost all *the investments that it held* when the Blacks won control in 1978. Mr Black gave away an Argus subsidiary's 16 per cent stake in the ailing farm machinery and industrial engine maker Massey-Ferguson in 1980 after numerous conflicts with the company's *senior management*.

Argus also sold its minority interests in the Domtar paper group and Noranda, the loss-making natural resources conglomerate. More recently, it has disposed of the bulk of its retail and broadcast interests. Under the Blacks' stewardship, the Dominion Stores supermarket chain saw its share of the Ontario grocery market tumble from more than a third to 13 per cent, although Mr Black says that he still has "every expectation of greater and more secure profitability than it ever enjoyed before" after the sale of many of its outlets.

Information about Mr Black's business interests is sparse and likely to become even sparser when privately held Ravelston later this month completes the purchase of

Mr Conrad Black: 'A spirit of moderate acquisitiveness is not un-akin to a sense of self-preservation. It is a motive that has not failed to move me from time to time.'

the 1.2 per cent of Argus still held by the public. Argus's last annual report ran to six pages – Mr Black tries to set a record for brevity at the company's annual meeting each year. The 1985 meeting lasted 15 minutes.

Argus will be delisted from the Tnronto Stock Exchange at the end of this month.

Argus's main investment is its stake of about 40 per cent in Nnrcen Energy Resources, a highly regarded Canadian oil and gas producer. Norcen's net earnings reached C$100m in the year to June 30, on sales of C$613m. A buy-back of Norcen shares recently tightened Mr Black's hold nn the company, although fewer shares were tendered than the company had offered to buy.

Norcen's investments include a 28 per cent interest in the Cleveland-based mining group Ma Hanna, acquired between 1982 and 1984. *The price that Norcen paid for the Hanna* shares was between US$36 and US$40, almost double their current market value.

Hanna has provided Mr Black with some useful contacts, however. The Canadian Prime Minister, Mr *Brian Mulroney, was* president of the company's Canadian iron ore affiliate until early 1983. One of Mr Black's partners in Ravelston is now the Prime Minister's appointments secretary.

Mr Black's reputed fondness for chess and war games, and his admiration for Napoleon Bonaparte, may explain his single-minded pursuit of takeover targets and the awsome complexity of many of his business deals.

The Black brothers, whose father had been an Argus shareholder, launched their bid for the company just a day after the death of Argus's linchpin, Mr Bud McDougald, who was arguably Canada's most influential businessman during the 1970s. They quickly sewed up voting agreements with Mr McDougald's widow and the widow of another key Argus shareholder, brushing off a challenge from tha son of a former Canadian Prime Minister.

Since then, three reorganisations have shuffled the layers of holding companies below Ravelston. Each time, Ravelston has received amounts ranging from C$48m to C$86m for the sale of its shares in nne company to another. Few outsiders claim to understand fully the intricacies of these transactions.

Mr Black is no newcomer to publishing, baving owned a chain of newspapers in Quebec and British Columbia and having written a long book about a Conservative Premier of Quebec.

But his reasons for taking an interest in the Daily Telegraph remain a mystery. Mr Black has kept a low profile since he bought 14 per cent of the newspaper group last May. Except fnr a testy letter to The Spectator decrying British newspapers' "habitually snobbish, envious and simplistic" coverage of the Reagan Administration, be has given no clue to the motives for his investment. (Mr Black excluded the Daily Telegraph, The Times, the Financial Times and The Economist from his criticisms).

Judging by his background, one is left to conclnde that a combination of political conviction, ambition to be recognised outside Canada and a chance to buy assets cheaply have contributed to the decision to plunge into Fleet Street.

CPR in FFr 500m share issue

By David Marsh in Paris

COMPAGNIE Parisienne de Réescompte, a specialised and highly profitable French money broker, is enlarging its sharebnlder structure through the sale of FFr 500m ($64.7m) in shares on the Paris bourse tomorrow.

The sale, one of the largest equity offerings from a financial group in recent years, is being made by CPR's two main shareholders, Banque Indosuez and Banque Financière Parisienne.

The two banks, which directly and through subsidiaries hold 72.3 per cent of the company, will retain a 50.5 per cent stake, divided equally between them, after the share flotation.

Bankers said the flotation would belp test the ground for possible sales from 1986 onwards of the state's stakes in nationalised banks.

The more profitable nationalised banks have been listed as privatisation candidates by the right-wing opposition, which is expected to win a majority in the National Assembly in elections next March.

Compagnie Parisienne de Réescompte, which together with its bond financing subsidiary, Paresco-Gestion, made net profits of FFr 191m last year, expects earnings to rise to between FFr 225m and FFr 230m in 1985.

The company, which employs only about 160 people, is predicting a further increase of between FFr 260m and FFr 270m next year.

The company is active in trading in Treasury bonds, foreign exchange, money-market instruments and bonds. With the advent of more sophisticated money-management techniques in Paris and the progressive deregulation of the French financial markets, these areas are becoming increasingly profitable.

The share flotation is being made at a fixed price of FFr 1,000 per nominal FFr 100 share.

Peugeot seeks FFr 500m loans for investment plans

BY PAUL BETTS IN PARIS

PEUGEOT, the private French car group, is seeking FFr 500m ($64.3m) in soft loans next year from the *French Government's industrial* modernisation fund (FIM) to help finance an increased investment programme of FFr 3.5bn.

The group's Citroën division received a similar FFr 500m FIM loan this year together with low-interest *loans from the French long-term* state credit institute, Crédit National, totalling FFr 1.5bn to help finance its investment programmes and the launch of its new small car in the second half of next year.

But the group does not intend to *tap the FIM for loans for its Auto*mobiles Peugeot division next year. This reflects both the financial improvement in the Peugeot division and the fact that the French Government is seeking to cut its overall level of subsidised credits next year.

Mr Pierre Bérégovoy, the French Finance and Economy Minister, has already indicated that he intends to hold down total FIM loans next year to around the 1985 level of about FFr 11bn and that he wants to cut back substantially on the subsidised credits of the Crédit National.

Mr Jacques Calvet, chairman of the Peugeot group, confirmed yesterday the financial recovery of his group with the Peugeot division showing a profit this year and the Citroën division reducing its losses by more than half its consolidated deficit of FFr 1.93bn in 1984.

Mr Calvet said he expected the Citroën division to break even next year after several years of heavy losses. Overall, the Peugeot group, *embracing both the Peugeot and* Citroën divisions, is expected to break even this year. Mr Calvet indicated that the only doubt left on the 1985 group results hinged on the Peugeot group's sales of car kits to Nigeria. Peugeot is still trying to *finalise the sale of about 20,000 car* kits there.

Peugeot group sales are expected to total FFr 100bn this year, with Citroën sales accounting for FFr 33bn.

The overall recovery of the Peugeot group has come despite a disappointing year in the French car market. Mr Calvet said sales were not expected to top 1.8m. The UK car market would be the second largest in Europe this year after West Germany, with sales of between 1.81m and 1.82m. France was being challenged for third place by Italy.

The Citroën financial and commercial improvement reflects the group's efforts to improve productivity by 6 to 7 per cent a year. Mr Calvet said Citroën was expected to maintain a similar level of productivity gains next year.

Citroën was also increasing its overall investments next year to FFr 3.5bn from FFr 2.9bn this year and FFr 1.9bn last year. As for the Peugeot group as a whole, investments were expected to rise to between FFr 7bn and FFr 8bn next year, from FFr 5.8bn this year.

Mr Calvet said that Citroën was seeking to reduce 1,800 jobs next year as part of its efforts to improve productivity. The Peugeot division *has already announced plans to cut* 3,100 jobs next year.

Citroën is closing two small plants at Clichy and Nanterre in the Paris region this month as part of its rationalisation plans. Mr Calvet said the closures would lead to savings on *annual fixed costs* of between FFr 50m and FFr 80m at each plant.

Mr Calvet also disclosed that Citroën envisaged exporting a top-of-the-range model to the US again. The Peugeot division is already attempting to increase its sales in the US European luxury market.

Mr Calvet, who was named manager of the year by the French magazine Le Nouvel Economiste a few weeks ago, said he intended to continue running the group until retirement. He said he found the automobile business stimulating.

There has often been speculation that Mr Calvet, a former chairman of Banque Nationale de Paris (BNP), the country's largest nationalised bank, could be offered a ministerial post in a new right-wing government.

Mr Calvet also said yesterday that he was flying to Spain to try to resolve his group's problems with the Spanisb authorities. He indicated that Citroën was envisaging producing its new small car at its Vigo plant in Spain. The model is designed to fit into the Citroën range between the 2CV and the Visa.

Paribas set to block AXA's takeover bid

By David Housego in Paris

PARIBAS, the French state-owned investment bank, seemed likely last night to block a takeover bid by the AXA group, France's largest private insurance company, for the Providence-Secours group.

The bid by AXA, which controls the Mutuelles Unies and Drouot groups, is the first rumbling in what could be a major upheaval of French insurers if the right wing npposition – which is pledged to denationalise the sector – comes to power in March.

AXA is still awaiting Ministry of Finance approval – required by French regulations – to launch the bid. The offer is for a 51 per cent stake in Providence, the holding company for the group, on the basis of FFr 1,100 ($142) a share. Providence's shares closed at FFr 766 on November 19 when trading in the group was suspended by the Paris bourse's watchdog commission.

Paribas is the largest shareholder in Providence, which controls the Presence group of companies, with a 25 per cent stake. In holding out against AXA's offer it is seeking a higher price and to maintain a presence in the insurance industry.

AXA is a fast-growing insurance group built up by Mr Claude Bebear, its president, whose largest major acquisition recently has been Drouot Assurance.

Mr Bebear's nbjective is to turn his group into one nf the major French insurers – and thus in a position to bid for a stake in the nationalised groups when they are privatised.

AMC talks suggest Far East link

BY TERRY DODSWORTH IN NEW YORK

AMERICAN MOTORS (AMC), the US affiliate of the nationalised Renault motor group of France, is discussing new arrangements with Japanese suppliers amid speculation that it may be aiming to launch a joint venture with a Far Eastern car manufacturer.

In an interview published in the influential Automotive News magazine, Mr Jose Dedeurwaerder, president of AMC, confirmed be had recently visited Japan for talks on stepping up the group's components supplies. Asked whether be thought the US company would be negotiating a joint *manufacturing deal* within the near future, he said nothing had been "decided."

Mr Dedeurwaerder's comments follow suggestions in the industry that the company may be forced to move towards a link with a Far Eastern manufacturer if it is to remain competitive in the small-car market.

It is assumed that, if AMC were to move in this direction, it would need the approval of Renault, which owns 46 per cent of the US group. In the past, Renault has proved a stubborn opponent of Japanese *expansion* in *Europe, but* it has more recently begun to relax its stance.

This year, AMC's sales of its small Alliance model, based nn the European Renault 9, have been devastated by competition from imports.

In future, a large sector of this small-car market will be supplied from mainland US with cars produced under joint projects between the American big three and the Japanese – GM is already working with Toyota while Ford has announced a deal with Mazda.

EUROBONDS

World Bank taps market for $200m

BY MAGGIE URRY IN LONDON

THE World Bank launched a Eurodollar bond issue yesterday that some in the market believe could point to a new way of doing business. The issue was one of many in an active primary market and took *advantage of a sharp rise of a point* or more in prices, spurred by the firm New York bond market.

The bank's $200m deal is led by Shearson Lehman Brothers International, which will not be recruiting any co-managers or underwriters, but is taking on the full commitment itself. The issue was priced just before the rise in the bond markets, and so Shearson's timing – partly lucky – was impeccable. The 15-year issue has a 10 per cent coupon and 100¼ issue price. It is non-callable, and fees total 2¼ per cent. Yesterday it was trading close to par.

Tied into this issue will be a serial zero-coupon deal with a $500m redemption valne which will be on sale worldwide and will be arranged by Shearson Lehman Brothers in New York, again on a sole management basis. This has 15 parts maturing annually from 2002 to 2016. Issue prices will be set on each portion to give a yield of around 8 to 15 basis points above *the yield curve for stripped Treasury* bonds. The World Bank is getting cheap long-term funding through the two deals.

The method of selling the deal without syndicating it has raised some eyebrows in the market. It gives the lead manager much more control over the issue, however, avoiding the problem of co-managers dumping bonds and thus forcing the lead manager to buy them back. Some dealers questioned whether the bonds would trade actively in the secondary market if traders had *not participated in the primary* business.

Morgan Guaranty also introduced some novelty yesterday, adding a new feature to the "harmless warrant" idea in a $100m issue for Emerson Electric, the US company making its debut in the Eurobond market. Like the original harmless warrants, the host bond is callable after five years, while the warrants to buy a non-callable bond with the same terms can only be exercised by surrendering the host during the first five years.

The bonds have a 10-year life and pay a 9⅝ per cent coupon. Unlike many of the other deals, the issue price is close to par at 100¼ while the call, instead of being at par, is at a premium at 101½. The warrants, priced at $25, will be redeemed at that price if they are not exercised; they were dubbed "money-back" warrants.

After five years investors will be able to put the warrants back at $15. So the warrant investor has a limited *downside risk instead of* facing the chance that the warrants will be worthless. The warrants traded as high as $37 and settled back to around $34, while the bonds were within the 2 per cent fees. Unlike most of the nther harmless warrant deals, this one was believed not to include a swap.

Morgan Stanley won the bidding for the Belgium floater that came in two tranches totalling $400m. The first 10-year portion is for $150m and is non-callable. The coupon will be equal to six-month London interbank *offered rate* (Libor), and the issue price is 100.10 with fees of 15 basis points.

The second tranche has a 25-year life and is non-callable for nne year with an investor put after 12 years. This pays 3 basis points over Libor and is also priced at 100.10, with fees of 15 basis points. Both were trading around par.

British Petroleum came for $150m of seven-year money, paying a 9⅜ per cent coupon issued at 100⅝. Morgan Stanley is lead manager, *and the fees were set at* 1⅞ per cent. The issue, which is not being swapped, came too late in the day to trade actively.

In the convertible market, Smith and Nephew, the UK health products company that makes Nivea and Elastoplast, launched a $60m, 15-year issue led by Kleinwort Benson. The coupon was indicated at 5¼ to 5½ per cent and conversion premium at 5 to 7 per cent. *Issue* price is par, and fees total 2½ per cent. The deal seemed to be going well although the name is not well-known. The bonds were trading around 99¾.

Swiss Bank Corporatinn International set the terms for Bell Group's A$75m convertible with an 11 per cent coupon, at the top nf *the indicated* range, and an 18 per cent conversion premium, at the bottom of the range. It traded around the par issue price.

Another floater was launched in the D-Mark market, a DM 300m issue for Mitsubishi Finance (Hong Kong) *guaranteed by Mitsubishi* Bank. The 10-year deal will pay a coupon of $\frac{1}{16}$ per cent over six-month Libor with a cap at 8 per cent. Deutsche Bank set the fees at 43 basis points. Dealers said the issue was trading around the total fees.

The secondary market for fixed-rate D-Mark issues firmed by about ¼ point as demand was awakened by the rise in New Ynrk and thoughts of the approaching year-end.

In the French franc Eurobond market, Société Générale launched a FFr 500m issue for Crédit Natinnal. The coupon for the first seven years will be 10¾ per cent, after which it will be refixed for another seven years, with put and call options. Issue price is 99¾ per cent, and fees total 1⅞ per cent. The bonds traded around 98¾.

Activity was quiet in the Swiss franc foreign bond market, and prices were little changed. The new issues for Picon International, guaranteed by Pioneer *Concrete*, ended their first day's trading at 97½, down from the par issue prices. The nine-year portion had a 5½ per cent coupon, and the 11-year deal pays 5¾ per cent.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Jonathan Carr traces the career of a controversial West German magnate

The rise, fall and rise of Hans Gerling

EXIT Flick, re-enter Gerling! In the history of business comebacks in West Germany, the case of Mr Hans Gerling, the controversial insurance entrepreneur, is among the most striking.

Thanks to Mr Friedrich Karl Flick's decision to sell off the industrial empire his father built up, Mr Gerling is now poised to regain full control of the insurance group his father founded.

Almost no one (apart perhaps from the dogged Mr Gerling himself) would have bet on this outcome a decade ago. The collapse in 1974 of Bankhaus Herstatt, in which the Gerling concern had a majority holding, had dealt Mr Gerling's career a severe – some thought fatal – blow.

After months of uncertainty, Mr Gerling agreed to sell 51 per cent of the Gerling concern, which he wholly owned, to help finance a Herstatt debt settlement.

That decision was undoubtedly a bitter one. His father Robert Gerling founded the business in Cologne in 1904, and when he died, the young Hans, aged 20, took over. He built up the company – then rebuilt it after the Second World War. Virtually single-handed – Mr Gerling is known to be a "lone wolf" – he constructed one of the country's top insurance groups. Then came the Herstatt affair.

Half of the 51 per cent stake went to the VHDI, a holding formed by several dozen industrial companies keen to see the Gerling concern (always particularly strong in the industrial sector) survive and thrive. The other half went to the Zurich insurance group which wanted to strengthen its place on the German market.

Mr Gerling was frequently and harshly criticised in connection with the Herstatt affair, he retreated to the Gerling supervisory board and his days of effective influence seemed numbered.

But by 1978 Mr Gerling was back fighting for control against the Flick group, which wanted to diversify into the services sector and saw the Gerling concern as a good investment. After months of sparring, Flick seemed to win that round. It bought out the Swiss and many of the industrial partners in the VHDI, thus winning control – albeit indirectly – over Gerling.

Mr Gerling still had only 49 per cent, but crucially he won accord as part of the deal with Flick to become chief executive of the insurance group. Initially the appointment was for only three years, but Mr Gerling quickly took all the old reins in his hands again and became virtually indispensable.

Last year the Gerling group raised gross premium income by 5.3 per cent to DM 4.7bn ($1.84bn); and in May this year (one month before his 70th birthday) Mr Gerling's contract in the top job was extended for another three years.

Last week Mr Flick dropped his bombshell, saying he was selling off almost all his empire for around DM 5bn to Deutsche Bank but would retain for the present his Gerling stake. Speculation mounted about who might eventually acquire that holding. But in fact Mr Gerling has a first option to buy, and his history indicates he has an unquenchable thirst to be "master of his house" again.

Sources in the Gerling concern say a deal with Flick has virtually been struck, though no details are given of the financing. At a rough estimate, Mr Gerling may have to pay around DM 500m in the transaction which would put him back firmly where he was before the Herstatt debacle.

MOVE TO STRENGTHEN CONTROL OVER BOTTLERS

PepsiCo pays $590m for MEI soft drinks business

BY WILLIAM HALL IN NEW YORK

PEPSICO, the US soft drinks and fast foods group, is buying the soft drink business of MEI for $590m in a further move to strengthen its control over its Pepsi-Cola bottlers and distributors.

MEI is PepsiCo's third largest independent bottler and operates in 33 Pepsi-Cola franchise territories from the Mid-West to the Pacific coast. In 1984 it had pre-tax operating income of $79.7m on sales of $564m. MEI has not disclosed the net worth of the soft drink business being sold to Pepsi but says that its snack and health food business has an annual turnover of around $200m.

The deal is worth around $35 per MEI share in cash for MEI shareholders, and they are expected to receive an additional share in the snack and health food operation which is estimated to be worth another $5 per MEI share.

The move follows PepsiCo's acquisition of Allegheny Beverage's Pepsi-Cola bottling subsidiary for $160m last May. PepsiCo said it was not paying a particularly high price for MEI's bottling business. The price, equivalent to $9 a case, was, it said, in line with the prices at which other Pepsi-Cola bottlers had been changing hands.

Mr Donald Kendall, PepsiCo's chief executive, said: "Soft drinks represent unusually high growth opportunities for us and our franchised bottlers. It is a particularly attractive business because we and our bottlers can derive volume and profit increases through our own actions, with innovative products, packaging and marketing programmes."

In the past five years PepsiCo has invested $600m in its US soft drinks business. "The increased volume that we have achieved this year, despite intensified competitive activities, is clear evidence that our investments will produce exceptional returns for years to come," said Mr Kendall.

Lufthansa and PSI in joint IT venture

BY JOHN DAVIES IN FRANKFURT

LUFTHANSA, the West German airline, is entering into a joint venture with PSI, a West Berlin software house, to market information technology, particularly for the aviation industry.

The company will be known as Lufthansa Informationstechnik und Software (Lis) with an initial capital of DM 1m ($395,000). The airline has a 51 per cent stake and PSI the remaining 49 per cent.

Lufthansa has already been marketing technical know-how in a small way but sees greater prospects of doing so, not only in aviation but also in commerce and industry generally.

Lis will start operations next spring with a staff of 10, headed by Mr Helmut Zrenner from PSI, but Lufthansa expects the staff to grow to 50 within about five years.

Lufthansa sees airlines and airports in developing countries as some of its potential customers, in view of the West German airline's longer experience with computers and complex organisational systems. But its ambitions extend to companies and organisations in other lines.

Lufthansa, which is three-quarters owned by the federal Government, already has interests in hotels, catering and car rental but sees all its extra activities as a logical extension of its main business of flying.

A Lufthansa executive said yesterday the airline had decided to base the information technology project in West Berlin as a way of helping the city. But West Berlin had a lot to offer through its universities and research institutes and had a highly qualified labour force, he said.

Like some other large industrial enterprises, Lufthansa is seeking to build on its own hard-won experience in computers and information systems to develop a useful "high-tech" sideline business.

Topsikring to open bank in new year

By Hilary Barnes in Copenhagen

TOPSIKRING, the Danish insurance group which recently became a joint stock company owned by its policyholders, is to open a bank in the new year.

The new bank, Top-Bank, will have an initial share capital of DKr 100m ($10.9m). It will offer loans to clients of the insurance business and will operate from a central office without a branch network.

Mr Henning Birk, group managing director, said that the bank hoped to have a balance sheet total of about DKr 1bn after the end of its first year, rising to about DKr 2bn at the end of the second year.

Topsikring has set up a company to hold the shares in the insurance company, something two other big Danish insurance groups, Baltica and Hafnia, have done.

This enables them to move into new financial services by getting round the legal restriction on insurance groups to do only insurance business.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 10.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅜ 92	100	101½	102	+0⅜	+0½	9.99
Amex Credit 10⅞ 90	100	103⅝	104⅛	+0½	+0⅛	9.72
Atlant Richfld 10⅞ 00	250	99	99½	+1¼	+1⅜	10.33
Australia Com 11 95	200	107	107½	+1	+1⅛	9.77
Australia Com 11¼ 00	100	107⅜	107⅞	+1⅛	+1¼	10.20
BP Capital 11⅛ 92	150	105⅝	106⅛	+0⅝	+0¾	9.79
Campbell Soup 10½ 95	100	103¾	104¼	+0¾	+0½	9.83
Canada 11½ 90	500	107⅝	108⅛	+0⅝	+0⅝	9.18
Canadian Pac 10¾ 93	100	104½	105	+0⅝	+0⅜	9.89
Canadian Pac 12½ 89	75	109⅛	109⅝	+0⅜	+0¼	11.13
CEPME 10½ 91	100	101¾	102¼	+0⅝	+0¼	9.65
Chevron U.S.A. 12¼ 89	600	104⅞	105⅜	+0⅜	+0¼	10.53
Citicorp 10 88	200	101¾	102¼	+0⅜	+0¼	9.10
Citicorp 10⅝ 95	200	100¼	100¾	+0¾	+0¾	10.52
Coca Cola 11⅜ 01	100	107½	108	+0⅜	+0⅝	9.92
Denmark Kingdom 11⅞ 88	100	105	105½	+0½	+0¾	9.34
Denmark Kingdom 11½ 90	100	106½	107	+0⅝	+0⅞	9.52
Denmark Kingdom 11½ 92	100	106½	107	+0¾	+0¾	9.96
E.D.F. 10 95	225	99¾	100¼	+0⅝	+0⅞	9.98
E.E.C. 9⅝ 90	350	100⅜	100⅞	+0¾	+0¾	9.42
E.E.C. 11⅛ 90	100	105¾	106¼	+0⅝	+0⅝	9.30
E.I.B. 12 95	200	111¼	111¾	+1¼	+1¼	10.03
Eli Lilly 10¼ 92	190	104	104½	+0½	+1⅛	9.37
Export Dev Corp 10 90	100	102⅜	102⅞	+0¾	+0⅝	9.23

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅝ 90AS	50	91⅞	92⅞	+0⅛	−1½	14.93
Creditanstalt 10AS	90	98⅛	100⅛	−0⅛	+0½	12.95
Pepsico Cap Res. 13 90AS	50	102¼	103¼	0	−0¼	12.17
Swed. Export Cred 13 88AS	40	96¾	97¾	0	+0⅝	14.29
Amex 10¾ 90 C$	50	101¼	101¾	−0⅛	−0⅝	10.26
Canadian Pac 10⅝ 90 C$	75	99⅝	100⅛	0	−0¼	10.30
CIBC 10¼ 90 C$	75	†103¼	103¾	0	−0¼	9.78
Genstar Fin 11¾ 95 C$	75	101½	102	−0⅛	−0⅜	11.47
Montreal 11½ 95 C$	75	105¼	105¾	−0⅝	+0⅝	10.53
Sears Acc. Co 10⅝ 92C$	75	†98½	99	−0⅛	−0⅝	10.88
Winnipeg City 10⅝ 90C$	50	103⅛	103⅝	0	−0⅛	9.66
Chrysler Fin Corp 17 90NS	65	93¼	95	+0⅛	+0⅞	18.99
K.O.P. 16¼ 91 NS	50	91¼	93¼	+0¼	−0½	18.59
Kredietbank Lux. 17 88 NS	70	100	101	+0⅛	−0⅜	16.67
Bayer Vereins 8¾ 88ECU	60	100¼	101	+0½	+0½	8.32
Chrysler Fin Corp 9 92ECU	75	97½	98	−3⅜	−3⅛	9.46
Xerox Canada 8½ 90 ECU	40	98⅝	99⅛	0	0	8.82
Honda Motor WW 3⅞ 90FL	100	100	103½	−0⅛	+0⅛	2.95
Honda Motor XW 3⅞ 90FL	100	89⅛	89⅝	0	+0⅛	6.82
Thyssen 7¼ 90 FL	50	103⅝	103⅞	+0⅛	−0⅛	6.33
Wereldhave 7⅛ 90 FL	75	103	102½	0	+0½	6.90
Wessanen 6¾ 90 FL	50	99¾	100¼	0	+0¼	6.74
Mobil Corp. 11⅛ 90 FF	500	102	102½	+0⅞	+0¼	10.40
Australia Comm 11 92 £	40	98⅝	99⅛	−0½	−1½	11.23

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Oki Elec Ind 3½ 99	10/84	805	104⅛	105⅝	−0⅛	8.12
Sekisui House 3 99	6/84	612	156⅝	157⅞	+1⅛	2.06
Sumitomo Bank 2¾ 2000	8/85	2142	94	95	0	5.92
Sumitomo Corp 2⅝ 99	5/84	593	131⅝	132⅞	+0⅛	1.15
Taiyo Yuden 3¼ 2000	3/85	1078	†107	109	+2	−1.77
Takeda Riken 3½ 2000	10/84	7653	†103½	105½	+2	13.29
Tokyo Sanyo Elec 3½ 99	12/84	772	100	101	+0⅝	3.39
Toshiba Ceramics 3 2000	4/85	1734.2	98⅛	99⅝	−1½	−0.25
Nippon Oil Co 2⅜ 92 SF	3/84	1052	†102	102¼	−1	24.67
Nippon Shinpan Co 2 92 SF	3/84	801	†110¼	111	−0⅝	31.05
Aiwa 5 92 DM	12/83	520	107⅝	108⅞	−0⅛	18.18
Renown 3⅛ 90 DM	3/86	675	100½	101½	−0¼	−5.25
Sum Realty 6⅛ 92 DM	2/85	238	†366¾	367¾	+3¼	−2.81

* No information available–previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cr. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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INTL. COMPANIES & FINANCE

Surprise resignation at GEC India

BY JOHN ELLIOTT IN CALCUTTA

A MANAGEMENT *reorganisation* of the four Indian offshoots of GEC of the UK has been interrupted by the resignation of the managing director of the largest company only six months after he was appointed.

The reorganisation will raise the corporate profile of GEC in India by moving the office of the single chairman to the four companies from Calcutta to New Delhi. The companies have a combined turnover of about Rs 2bn ($165.8m) and each will have its own managing director reporting to the chairman.

The managing director who resigned was Dr M. D. Shukla, who took up the post at the Calcutta-based General Electric of India in June. His resignation was accepted last Friday by the board, which is concerned about the need for tighter management and financial control at a time of sluggish demand in India's electrical and electrical engineering industry.

Dr R. S. Mamak, the chairman and former managing director, said yesterday it was a "mutual parting."

Dr Shukla was previously vice president in charge of electrical engineering at Voltas, part of Tata, India's largest family empire.

The four GEC companies employ about 10,000 people, their sales which rose some Rs 250m in the latest year, produced profits of Rs 170m, according to Dr Mamak.

General Electric of India, which is 66 per cent-owned by its UK parent, accounts for nearly half the business and manufactures electrical machinery and other engineering products. It is expanding through a series of collaboration agreements with GEC companies in the UK for process control microprocessors and other electronic industrial systems, medical electronic equipment, vaccum circuit breakers, small hydro electric generators, and 400 kV transformers.

The next largest companies are English Electric of Madras, also 66 per cent UK-owned, and Genelec of Calcutta, which is 33 per cent-owned by General Electric of Indie. The fourth company, Power Engineering Services, is 74 per cent UK-owned and was set up recently in connection with a £150m ($218.8m) contract won last year by GEC in the UK to supply a power station for Bharat Aluminium.

Dr Mamak is resigning from the chairmanship of the four companies next year to move with his family to the UK. He will be replaced by Mr A. K. Khosla, managing director of English Electric, who will move the chairman's office from Calcutta to Delhi.

The board of General Electric of India has also been expanded by the surprise appointment as a non-executive director of Mr Jit Paul, a Calcutta businessman who has built up the Apeejay group of steel, engineering and tea companies.

Mr Paul is an elder brother of Mr Swraj Paul, who runs the London-based Caparo Group which has made controversial take over bids in the UK and India. Together the Caparo Apejay groups plan investments in India totalling some $1bn in fertilisers and chemical plants and steelworks.

General Elactric hopes to obtain substantial orders for these projects, and this influenced the decision to invite Mr Jit Paul on to the board. Both Mr Paul and Dr Mamak yesterday denied rumours that the Paul family was buying shares in General Electric of India at a time when a number of British-owned companies in Calcutta have been changing hands.

Foreign banks reassess Japan

BY YOKO SHIBATA IN TOKYO

BANK OF AMERICA, announced yesterday that it is to close its branch in Kobe, Japan, next month. The decision follows the closure last January of the bank's branch in Yokobama, another of the country's leading business centres outside Tokyo, and comes as the latest *signal* of the *critical times* facing foreign banks which operate in Japan.

Profitability of commercial banking has been fading and the return on assets shrinking over the past several years. The main reason many have determined to hang on despite tha difficulties is the potential for Tokyo to expand its role as a world financial centre.

Although Bank of America —the second biggest US bank— did not immediately elaborate on its decision, most foreign banks are undertaking a fundamental reassessment of their operations in Japan in an attempt to identify which are the most feasible for them. They are also restructuring by reducing the number of expensive expatriates employed and ancouraging early retirement by local employees.

Recently a number of foreign banks have opened branches or representative offices in Jepan, but a number of others have closed down or cut back branches.

For Marine Midland of the US, which is among those pulling out, low profitability persuaded head office to close the Tokyo branch. American Express, meanwhile—which has a well established commercial banking operation in Japan—is sacrificing this for a securities broking business through Shearson Lehman Brothers. Japanese banking law requires a separation of the two, and Amexo clearly takes the view that the securities marketplace will remain the more lucrative.

Among those foreign banks which have opened offices in Tokyo recently are Westpac, which became the first Australian bank to upgrade its representative office to full branch status. National Commercial Bank of Saudi Arabia has newly established a prepresentative office as the first such Sandi presence.

The foreign banks have blamed their *poor performance* on dwindling corporate demand for loans, along with high funding costs. Foreign banks in Japan have no access to the low-cost funds available from private individual depositors attracted by Japanese retail banks. Instead they obtain 90 per cent of their yen funds on the short-term money market in the form of discount bills, call money, or certificates of deposit (CDs) where rates are effectively controlled by the Bank of Japan.

This has left them badly bruised by the Bank of Japan's recent monetary squeeze as the central bank guided short-term rates higher.

The halance of outstanding loans hy the 78 foreign hanks at the end of October stood at Y5,440bn ($26.75bn), a decline of 11 per cent in only one month.

General Tyre Pakistan in the red

By Mohammed Aftab in Islamabad

GENERAL TYRE and Robber Company of Pakistan, an affiliate of Geocorp, the US tyre giant, suffered after-tax loss of PRs 7.03m ($440,000) in the year ended June. The Karachi-based company had made profits of PRs 25.62m in the previous year.

Sales declined marginally to PRs 139.82m from PRs 141m in 1984, but Gen Habibullah Khan Khettak, the chairman, said the company was looking forward to healthy growth.

The company last year undertook a major expansion programme to modernise its tyre-making on a large scale, in collaboration with the US company

The Pakistani company also claimed that illegal imports of tyres into Pakistan had "increased to an alarming level." The cheap tyres, mainly of South Korean and Japanese origin, were providing tough competition

ICI Australia profits fall after sharp rise in tax

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ICI AUSTRALIA, which is 62 per cent-owned by the leading British chemicals group, showed a 9.7 per cent fall in net profits for the year to September, to A$58.4m (US$39.1m), on sales 22 per cent higher at A$1.8bn.

The main factors cited for the downturn were the fall of the local dollar, which boosted the cost of feedstocks, and a sharp rise in tax.

The company's tax bill rose from A$28.6m to A$64.1m after a rundown in investment allowances. At the trading level, profits were 30 per cent higher at A$133.9m.

The group said there was improved demand for most of its products, despite stiff competition from foreign suppliers, particularly in Europe. Competitive pressures showed some signs of easing in the second half of the year.

The annual dividend is being kept at 16 cents a share, covered by earnings of 23.6 cents a share, against 29 cents previously.

● *Du Pont* of the US is to enter a pesticide joint venture with the Australian Government's Commonwealth Scientific and *Industrial* Research Organisation (CSIRO), Reuter reports from Canberra.

Mr Keith Boardman, CSIRO's chairman, and Mr Peter Grunwald, Du Pont Australia's managing director, said the project could generate annual salea of A$150m with the first product on the market within five years.

Du Pont Australia will have a 49 per cent stake in the venture, with the remainder held by Sirotech, CSIRO's commercial arm. The project will make and market pesticides developed by CSIRO.

Food group merger plan hits regulatory snags

BY OUR FINANCIAL STAFF

THE MERGER proposal which would create Australia's largest food combine has become enmeshed in contradictory requirements laid down by the regulatory agencies involved.

Fielder Gillespie Davis, the Sydney-based company which initiated the move five weeks ago with twin takeover bids for Allied Mills of Australia and New Zealand's Goodman Group — two much larger rivals — acceded yesterday to a variation in the structure of its offers.

This was in order to meet a stipulation by the Trade Practices *Commission*, an Australian federal body, that the two bids should not be made mutually dependent. The removal of an overt link allowed Fielder to get round objections by the commission that the three companies together would dominate the country's market for edible oils and margarine.

The commission said in Canberra that it would withdraw its application for an *injunction* restraining Fielder. Only hours later, however, the National Companies and Securities Commission (NCSC) stepped in from Melbourne

The NCSC revoked the registration of the offer document in the belief that it might contain matter that had become false or materially misleading. It was concerned in particular that Fielder's original description of its aim as securing a three-way merger might no longer be the case.

Goodman has meanwhile reported a 167.9 per cent surge in net profits to NZ$13.3m (US$7.5m) for the *half-year* to September, on turnover which at NZ$221.5m was ahead by 36.5 per cent. The three companies together would have annual sales estimated at A$1.3bn

INTL. COMPANIES & FINANCE

Frank Gray looks at an unusual method of financing exports

Sharp growth in use of the forfait

THE USE of forfaiting as an instrument of export finance has probably doubled in the last two years and may now account for about 1 per cent or about $25bn of all world trade financing, says one senior London banker.

Other bankers acknowledge that there has been a boom in forfaiting over this period but believe that the use of this once unusual device to finance exports is now undergoing a period of retrenchment, with many financial services groups now withdrawing from the market.

Mr Ian Guild, chief executive of Midland Baok Aval, the Midland Bank's forfaiting unit, made the observation about forfaiting's growth at the recent launcb of a new book on the subject. Forfeiting—An Alternative Approach to Export Trade Finance.* The 124-page book was co-written with Mr Rhodri Harris, a City financial expert, and is understood to be the first full treatise on the subject.

The previous basic document was a booklet prepared in the late 1970s by Finanz of West Germany. Most of the serious providers of forfaiting counsel in the City bave developed their own in-bouse bandbooks.

Indicative of the growth in forfaiting is the increase in the size of transactions handled. A Midland Bank official says that three years ago, forfait deals ranged between $250,000 and $1m, but now, said Mr Guild, they ranged between $5m and $50m in general, and often involved even larger sums.

Midaval recently completed a DM 360m ($143m) deal on behalf of Turkey's Finance Ministry that is linked to British Aerospace sales.

In forfaiting, a bank, at an exporter'a request, agrees to take over the suppliers' credit that the exporter has arranged for his foreign customer. The bank's intervention takes place shortly after the basic deal, with financing, bas been worked out between seller and buyer. The bank agrees to do so only at a discount, or service charge, sufficient to make its participation in the venture worth while, and with the proviso that the ontstanding financing will be repaid.

The bank is not concerned with the goods sold, and undertakes the deal *without recourse*, a vital phrase in forfaiting, to the exporter. Its interest is in acquiring the hills of exchange, or promissory notes, from the deal, which it may choose to break down into six-month repayment segments over the term of the originally conceived deal, which can be sold, again at a discount, on the growing secondary market. Tbe bank will only buy the documents if they bave been guaranteed, or "avalised" (a less specific form of guarantee) by the importer's bank or, in many cases, a government institution. Without such backing, the deal cannot take place. Most deals cover a three- to five-year repayment term, but eight-year deals are now becoming more evident.

The chief advantage for the exporter is that a credit sale can be turned into a casb transaction — in effect, the exporter gains full reimbursement, less the bank's discount, for the credit it has arranged for its client. In addition, the credit risks and currency exposure are passed to the bank.

Forfaiting gives the importer access to medium-term, fixed-rate financing in the principle "hard" currencies, thereby providing knowledge from the outset of the exact total financial cost in the currency of repayment.

Bankers point out that the key to making a forfait deal work is in the simplicity of the documentation. But a vital factor is trust. "We have to know with wbom we are dealing if a deal is to be concluded successfully," said one.

Tha non-recourse element of a deal, for example, can prove a burdle in some countries, such as Algeria, where, should litigation result over faulty goods, the banks themselves can be drawn into it.

In principle, forfaiting is used to support trade in capital goods but commodities increasingly are being used.

A spur to the growth in forfaiting was provided several years ago by the London Forfaiting Company, a unit of the Exco financial services group. Headed by Mr Jack Wilson and Mr Stathis Papoutes, it grew out of the two men's association at that time with Hungarian International's profits of £8m ($11.8m) in 1983 derived from forfaiting.

Mr Jack Wilson, chief executive of the London Forfaiting Company, a unit of the Exco financial services gronp

Messrs Wilson and Papoutes were founder members a decade earlier of the Hungarian bank before deciding to join Exco. Their forfaiting team now numbers more tban 40, by far the largest in the City. Other gronps, such as Midaval and National Westminster have small teams of specialists bnt have the overall resources of their export finance divisions to provide support.

Some London bankers reckon that the setting up of London Forfaiting was the single most important factor in the resulting interest in forfaiting by other institutions. As a result, London now rivals Frankfurt and Zurich as a key centre for such finance.

That prompted dozens of financial groups to enter the field but, said one senior London banker, "many failed to bring their own client base into the marketplace and, instead, tried to live off the existing base provided by the mainstream players. As a consequence, yields have narrowed, and many groups have since withdrawn from the fray."

It is estimated that there are now 20 institutions in London doing this kind of business. Among the non-UK institutions are Royal Bank of Canada, Scandinavian Bank, Credito Italiano International, Westpac Banking of Australia, Badische Kommunale Landesbank and Finanz AG of West Germany, Credit Suisse, and Credistanstalt Bankverein of Austria.

As with countertrade, forfaiting, or a forfait as it is known in the industry, grew out of trade between Western European companies and trade organisations within Comecon. While East-West trade is still the basis of forfait-financed dealings, in recent years it has become a fully international device.

London Forfaiting says that most of its business is on behalf of non-UK clients, although it is working to build up its British client base. It recently opened an office in Limmasol, Cyprus, which enables it to serve the growing Middle East market where, owing to post-oil-boom austerity, many customers are now seeking more arcane trade services to put together capital goods deals with the industrialised countries. It is also to open an office in Milan in the next few weeks.

They are following in the footsteps of Italian banks' forfaiting activity in the region, which bas emerged to offset the straitened trade circumstances thet Italy, and other countries, have experienced with Latin American trade.

In one of the more unusual deals involving the Middle East, Royal Bank of Canada recently agreed to participate in a $40m transaction in which Italian capital goods were shipped to Iraq. Since the goods were guaranteed by SACE, the Italian export credit insurance agency, Royal Bank's deal became strictly bilateral between it and the Italians, with SACE's guarantee sufficient to back the bank's finance participation.

* *Forfaiting—An Alternative Approach to Export Trade Finance, By Ian Guild and Rhodri Harris. Woodhead-Foulkner, 124 pages, £35.*

TECHNOLOGY

EDITED BY ALAN CANE

Stitching up a £50m world market

Geoffrey Charlish reports on how computers are aiding makers of embroidery

TWO BRITISH companies have joined forces to produce a system that uses screen, keyboard and computer to automate embroidery design and convert it directly into the paper tape that controls production equipment.

The market for embroidered products is worth more than £100m a year in the UK alone and the potential world market for computer-aided design and manufacturing equipment for embroidery is thought to be about £50m annually.

At the moment, equipment to prepare the punched tapes that control the multi-head production machines is supplied mainly by Wilcom of New South Wales, Australia.

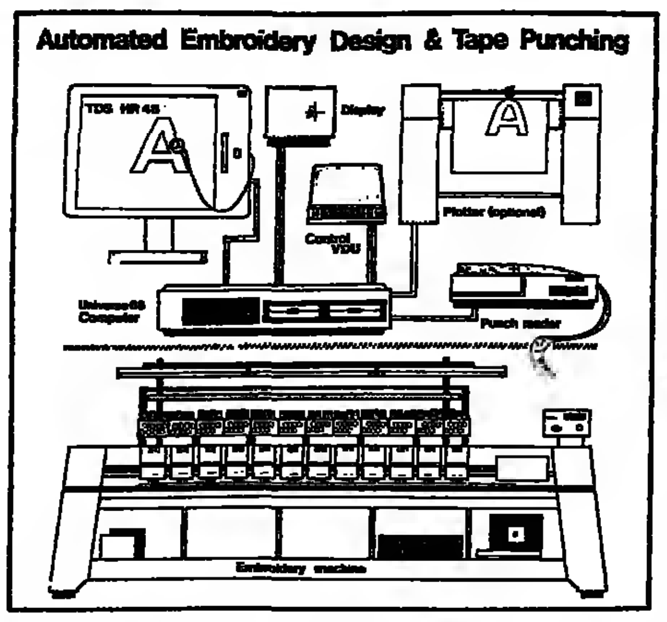
The UK companies, Terminal Data Systems of Blackburn and CAD/CAM Punch of London (01-993 4402), are entering the market with an advanced product containing a 32-bit Charles River microcomputer. This can derive a design directly from a drawing using a digitiser and store it electronically. The design is displayed on the screen and immediately can be altered and improved through the system's keyboard before being translated into a coded series of holes in the control tapes.

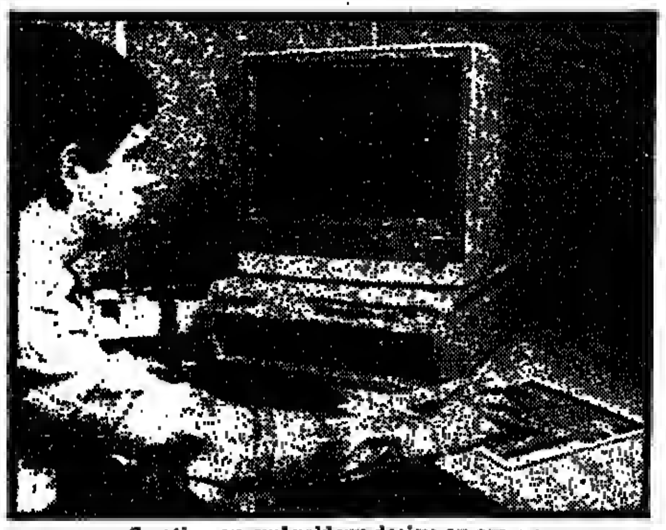
TDS makes digitisers, in which an operator moves a "mouse" (a hand-operated line tracker) over the surface of a paper drawing to derive the X and Y co-ordinates for computer storage.

CAD/CAM Punch has an associate, LD Designs of Nottingham, that uses Japanese machines to produce paper tapes for embroidery firms.

The two companies' managing directors, Bob Astley and John Bell, who met at a computer-aided design show in 1984, soon realised they had the makings of an embroidery design system and CAD/CAM Punch has been set up to market the new system.

Traditionally, a 5 in wide paper tape is produced for use in the largely mechanical control systems of older embroidery machines. Each stitch has to be plotted on a large scale drawing and transferred to the tape using complex mechanical units.




Creating an embroidery design on screen

Use of a computer allows the calculations that determine the best sequence of stitching to be completed within seconds. The holes representing the stitches can then be punched into the tape—now only an inch wide—used to activate needles in modern embroidery machines.

Astley and Bell's machine goes further, however and eliminates the tedious process of preparing a large scale drawing. Now, designs can be created on screen and transferred to tape more easily.

If the design already exists, it is committed to computer using the TDS digitiser, to an accuracy of 10 microns. Alternatively, it can be created on a high definition screen and then enlarged, rotated, stretched or otherwise amended to suit the designer.

Once a design has been completed, it can be stored on the computer disk to be immediately recalled for production in the future or as the basis of a modified design.

Mr Bell says that over recent years embroidery production has become highly automated with multihead machines installed at 200 a month worldwide. Apart from some 600 embroidery companies in the UK, there are thought to be a further 12,000 in the US, more than 2,000 in Japan and many elsewhere in the world.

Similar systems are beginning to appear in the patterned weaving industry where the design problem is similar but the production machinery is a Jacquard loom, for which, conventionally, punched cards have to be prepared.

Bonas Machine Company of Sunderland has a system that will do away with the conventional painting of designs on paper and the subsequent tedious transference to Jacquard cards.

Again, the designs can be created directly with screen and keyboard, with standard routines for types of cloth such as taffeta or satin and the usual CAD facilities for pattern manipulation.

An interesting advance by Bonas however, is an electronic Jacquard that obviates punched cards altogether.

The design, after completion on screen, is transferred in a fraction of a second to an Eprom (erasible, programmable read-only memory) which is simply plugged into the electronic loom, which reads its instruction from the storage "chip" and weaves the corresponding pattern in the cloth. A change in weaving pattern involves no more than plugging in a different Eprom.

Bonas offers a TV imaging system to allow those companies using traditional painted artwork to "capture" the painting electronically. The company also makes a high speed card punch so that traditional Jacquards can be used—it is operated by plugging in an Eprom.

Another company, Gems of Cambridge, has developed a system called Gemweave that by-passes manual Jacquard card production with a system similar to that of Bonas.

It was developed in conjunction with J. and J. Cash, well known for its woven name tags on children's clothing.

Dilemma of a stalemate past political tinkering

Video & Film

BY JOHN CHITTOCK

IF THE promised disease and disaster brought by Halley's comet does not put an end to the world before December 31, then 1985 is going to go down as a very turbulent year in the media business.

It has been the year of change—with Britain's fledgling cable TV industry playing musical chairs, satellite television upsetting the status quo for national broadcasters, the film industry upset by everything from government policy to cheap video movies, and the technical services business undergoing financial catharsis; Humphries Film Laboratories closing in London, some others in difficulty, video facility houses such as Molinare and TVI being taken over, and others like TSI, Lee, Carlton and Samuelson enlarging or rationalising their structures.

The technical status quo has been under pressure as well, with not only the de facto standards of VHS video and 625 line PAL television challenged—the former by 8mm, the latter by MAC, enhanced PAL and high definition TV — but now even the 25 frames per second standard for cine film on television is about to be questioned.

The influential Society of Motion Picture and Television Engineers in the US is proposing a possible 30 fps standard, which would be fine for the US and its 60 cycle per second mains supply but chaotic for countries such as Britain which are geared to a 50 cycle field rate.

If Halley's comet is not responsible, neither is the technology which often seems to be the catalyst for change. The real engine for change—or rather upheaval as it seems at present—is value for money: providing the consumer not only with what he thinks he wants, but at a price which makes it impossible to refuse.

Three very current controversies in Britain's media business exemplify this well — the impending government decision over copyright changes and a possible levy on tapes, the furious debate over BBC financing and the fast-moving struggle to take over Thorn EMI's screen entertainment division.

The three issues may seem to have only tenuous connections, but all have important things in common. One is programmes—their balance sheet value and what the consumer will or should pay to see them. Another is the control of distribution or exhibition. And yet another, perhaps most pertinent of all, is government policy—which potentially affects all issues, but in the case of the tape levy and Thorn EMI is being criticised for not affecting them enough.

The concern over the Thorn EMI sale of its screen entertainment division reached a crisis level for some in the industry 10 days ago when the British Screen Advisory Council — chaired by Lord Wilson—called on the Office of Fair Trading to intervene. The fear that the division's cinema chain would be bought by the Cannon group, giving it 43 per cent of all British cinema screens, unleashed furious reactions throughout the industry.

As part of the deal, Heron Communications was expected to obtain the division's catalogue of video titles—which would make them the UK market leaders in home video. The fear is that the complete deal would take more out of the industry than it would put back.

The irony and the unpublicised connection with the videotape levy controversy is that the film industry has been pinning its hopes on a levy to put money back into production. Thorn EMI has been a trail-blazer in funding British movies, and was one of the essential sources of finance guarantee which the previous minister Mr Kenneth Baker, when responsible for films, painstakingly put together when the National Film Finance Corporation was effectively privatised by the Government. But despite that package (annually less than the budget of a minor feature film) BSAC last March called on the Government to implement a videotape levy to provide further production funding—and also to assist projects which generally benefited the industry.

The Government's political reluctance to place a tax on a popular consumer product was challenged by BSAC by pointing out that the average vcr owner buys fewer than five blank videotapes a year; so that a proposed 90p levy would cost users only £4.50 annually for the privilege of watching all of those free movies on television.

Meanwhile, Mrs Mary Whitehouse and her National Viewers' and Listeners' Association have suggested to the Peacock Committee that BBC television should be financed by an addition to the standard rate of income tax—0.52p would do the trick they believe, eliminating the licence fee and the advertising argument, and relieving the poor of any payment at all.

What emerges is indeed a lietmotif, and one which will not go away until it is recognised as central to all of these apparently disparate issues. The lietmotif is not merely money, but the ever rising costs of programme production and the constantly lowering expectations of viewers in the price they believe they should pay.

Technology has been, indeed, the catalyst here. A family of five can rent a video movie for £1.50 against a bill of at least £10 for seeing it in the cinema —or, through satellite TV, may watch a pop concert free of charge if connected to the right hardware.

When some houses in Britain can be charged £200 per year in water rates, it does seem as if our priorities are shifting—with commodities that fall free from the sky costing more when they are those you cannot do without, even if they cost less to provide.

The production of moving pictures is not amenable to economies of scale as are water filtration or motor car manufacture, even though the hardware of production is getting more expensive. It is only the methods of distribution which can offer economies of scale. In the era of the consumer this is an anomaly.

Yet the ultimate appeal to free market forces—sex and violence—is now coming under government control. The industry is thus left in a dilemma: technology cannot do much to make better programmes cheaper, politicians fear any moves to make the consumer pay more, and the last bastions of quality are under attack from the cost-effective bandwagon. It is a stalemate, beyond political tinkering.

Electronic data guide published

MANAGERS WHOSE responsibilities bring them into contact with electronic transmission of company information should find a new guide from the Eurodata Foundation useful.

The 96-page book provides a reasonably up-to-date picture of how speech, text, images and computer data can be sent locally, nationally and internationally.

Dr A. V. Stokes, director of computing at St Thomas's Hospital, London, is the author. He succeeds in explaining what is involved in such systems without sinking too far into technical jargon and the style will be appreciated by managers with limited technical knowledge.

The book outlines how data communications have developed (useful in understanding the present situation), describes the current public services and indicates what the future holds.

The equipment used is outlined and the emerging standards, including the ISO seven layer model, are covered. The choice and implementation of systems is the subject of a separate chapter.

Overview of Data Communications, Eurodata Foundation, 54 Fetter Lane, London EC4A 1AA. £10.

Byting back

DENTISTS AROUND Britain hope their claims for payment from the Health and Social Security Department will be dealt with more quickly as a result of a £4m computer system installed in Eastbourne, Sussex.

The ICL 2900 Model 39 machine will operate at the offices of the department's Dental Estimates Board which deals with about 30m claims a year for payment from dentists working for the National Health Service.

Norcros starts to see benefits of UBM buy

SOME OF the benefits from the £113m acquisition of UBM have already begun to come through for Norcros, the diversified industrial group, and have helped it to its best level of improvement at the halfway stage for some years.

In the six months to September 30 1985 Norcros saw taxable profits rise 31 per cent to £18.55m against £14.1m, including a contribution from UBM from last May. The latter's builders' merchants and motor activities have been formed into a new reorganised distribution division, which accounted for most of the profit rise with a first time contribution of £3.21m.

Another highlight of the results was the performance of the engineering division, which turned a £97,000 loss last time into a profit of £1.76m. Together, engineering and distribution accounted for nearly all of the £6.72m rise in operating profits to £22.14m. However, with sales ahead by £124.04m at £303.91m, operating margins slowed.

The pre-tax improvement came through as earnings of 8.56p per share (7.89p) after a £7.68m tax charge (£5.84m), and the interim dividend has been increased from 2.6p to 2.8p per share, a rise of 7.7 per cent.

Mr Ken Roberts, the chairman, said that the half year has been dominated by the integration of UBM. Negotiations are near completion on the redevelopment of the UBM sites at Bristol and Truro, which he said would result in the sale of part of each site for retail development.

Mr Roberts also said that Norcros was purchasing sites across the country for UBM branches, and a major office/warehouse complex in Newcastle had already been acquired and will be opened next January. In addition, terms had been agreed for the sale of a UBM motors depot and negotiations for the sale of another were well advanced.

Mr Ken Roberts, chairman of Norcross

The engineering turnround was largely thanks to Butterlay Engineering, where site reconstruction was almost complete. The subsidiary made a "nominal loss," said Mr Roberts, but is expected to break even at the year end compared with a loss of almost £3m.

Crittal Tectonics, the curtain walling company in the construction division, continues to disappoint. Mr Roberts said that while a great deal of time had been spent tightening up manufacturing procedures to make it more competitive, current margins were still too low to ensure profitable trading in the short term.

Overall, he considered that the advance in sales, taxable profits and earnings per share was particularly pleasing in the light of the continuing low activity in the construction industry both at home and overseas.

He added that the remainder of the year would be one of continued consolidation, but he expected benefits to come in 1986.

In a falling sector, Norcros closed at 199p last night, up 1p.

See Lex

Independent regional brewers check in with improvements all round

Greenall and Vaux rise to record levels

TWO OF Britain's big independent regional brewers checked into the City yesterday with record profits and both looked for further progress in the current year.

Greenall Whitley, based at Warrington, continued its advance during the second six months and for the full year to September 27 raised its profits before tax by £2.4m to £30.71m.

The improvement reflected growth in all operating divisions and contributions from recent acquisitions, notably the De Vere hotels and the Cellar 5 off-licences.

Holders of the limited voting ordinary shares are to receive a final dividend of 2.8535p (2.5364p) making a net total of 4.9261p, compared with 4.4644p. The final on the 5p A ordinary is being lifted to 0.5707p (0.5073p) for a net total of 0.9852p, up from 0.8929p.

The smaller Vaux Group of Sunderland increased its profits for the 17th year running and shareholders are being rewarded with a dividend rise of fractionally over 1p.

With each trading division showing improvements, the group saw its profits at the pre-tax level rise to £14.72m in the 52 weeks to September 28, an increase of 13 per cent over the previous year's £13.03m.

The profits improvement through the group saw brewing rise by 9 per cent, hotels by 29 per cent and wines and spirits by 72 per cent.

The final dividend goes up to 7.32p (6.655p) for a net total of 11.06p, against last time's 10.055p.

Earlier this week Wolverhampton and Dudley Breweries reported an improvement from £13.52m to £15.43m pre-tax for the year ended September 30.

The improvement reflected a rise in net margins from 14.4 per cent to 14.9 per cent.

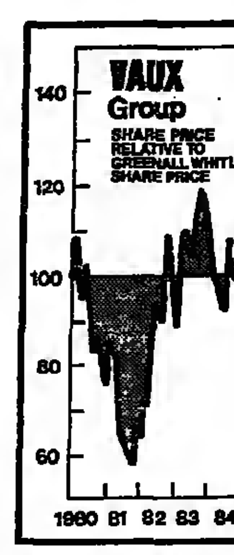
At Greenall, the outlook is for another successful year's trading. Since the beginning of the current year hotel occupancy levels and beer sales are showing improvements.

For 1984-85 the group saw its turnover surge by 27.8 per cent to £344.3m (£269.31m) and its operating profits by 23.3 per cent to £38.21m (£30.98m).

The pre-tax result, however, rose by only 8.5 per cent after taking account of a £5.22m rise in interest charges to £10.84m arising from acquisitions—borrowings increased by £17.6m to £98.5m of which £10m was used to fund new purchases.

Tax accounted for £7.83m (£9.08m) to leave the net balance at £22.78m—£16.03m last year after deducting extraordinary items of £3.2m.

Earnings per limited voting share amounted to 18.82p (16.33p) while those for the A ordinaries emerged at 3.76p (3.27p).



The brewing activities increased their contribution from £22.64m to £25.67m in spite of the worst summer weather for many years and the continuing decline in beer sales volume. The improvement was mainly due to an increased range of products and facilities.

Wem Brewery expanded further into the West Midlands with the acquisition of 15 Simpkiss pubs.

The hotels division showed excellent growth—profits rose by £3.92m to £9.04m—with a particularly strong performance by the De Vere hotels.

The wine and spirits operations performed well especially through the take home trade and the leisure division, Stretton Automatics, with its AWP machine business and bingo halls, produced excellent results.

At Vaux, the future is viewed with considerable confidence. Shareholders are told that 1986 has started well with profit targets for the year so far being met.

In the coming year the group has major programmes of development to its hotels and pubs and expects to spend some £20m, of which around 60 per cent should be generated from cash flow and property sales.

Investment plans for 1985-86 include a £5m pub improvement programme and five more leisure centres.

Last year foreign exchange earnings from overseas visitors to Vaux's hotels and restaurants were estimated to have risen from £7.25m to £9m.

● comment

Greenall Whitley and Vaux are two regional brewers busily engaged in shrugging off their traditional image to join the trendy drinks and leisure set. In doing so they share a number of common features. One is the reasoning behind their diversification — namely, the apparently inescapable decline in ale consumption (Wolverhampton & Dudley, the Houdini of the ale trade, has somehow contrived to remain unaffected by this). Another is the perceived means of survival — the improvement of margins at pubs through refurbishment; but more significantly the diversification into hotels and off-licences. A third is the market's lack of enthusiasm for the fruits of their labours both share prices were down yesterday. Greenall's by 7p to 167p and Vaux's by 5p to 370p.

In Greenall's case there were so many special factors and exceptional and extraordinary items that the market found itself asking how much there was fundamentally to brag about. It then looked at the 3.8 per cent improvement in trading profit and decided that the answer was very little. With Vaux it was probably concerned over what the results might have looked like without the first full-year contribution from Tuborg lager and the new chain of off-licences.

Both groups face increasing interest charges because of their heavy investment programmes, and with the likelihood of a further decline in their core markets ahead of them they are going to have to run hard to show quite modest improvements at the pre-tax level. With the share prices still buoyed by the last remnants of bid fizz there seems little to go for in either case for now.

Discounting hits Intl Leisure

International Leisure Group, Britain's second largest tour operator, yesterday revealed the effects of widespread and extensive discounting in a declining market in its statement for the six months to end-September 1985.

Taxable profits, after stripping out aircraft sales, have declined from £16.48m to £14.84m with margins falling by nearly two percentage points on turnover ahead from £176.91m to £193.77m.

The summer's tour operating market remained extremely competitive, says Mr Harry Goodman, the chairman, adding that a reported 10 per cent decline in the overall market occurred despite the discounting.

These factors depressed margins although the company, which operates through Air Europe and Intasun, managed to increase market share with a 10 per cent rise in carryings to a record 880,000 passengers.

The group currently claims a bigger 27 per cent (19 per cent) market share.

Three Boeing 737-200 aircraft were sold in April, which produced a £14.6m profit and more than doubled earnings per share from 20.3p to 43.4p. The interim dividend was unchanged at 2p, but the groups again hoped to increase the final.

Margins, says the chairman, remain under pressure although the winter 1985-86 market is more buoyant and he expects the company's volumes to increase by 30 per cent.

More significantly though the very high level of bookings being experienced and anticipated for next summer has resulted in a corresponding increase of overheads.

Together with seasonal winter losses from hotel operations, he says that second half trading losses will increase. Group taxable profits in 1984-85 were £24.84m, including an £11.18m profit from aircraft sales.

However, Mr Goodman is looking for improved results in 1986-87. Spain is now firmly back on top in holiday bookings and "everything the industry lost last year and more will come back in 1986."

Confirmed summer bookings are three times higher at 400,000 and, while brochure margins are lower, a buoyant market should reduce the level of discounting to achieve sales objectives.

Air Europe is expected to improve margins, and profits should be further enhanced, says Mr Goodman, by the return of the Boeing 757 previously leased to British Airways.

In addition, the London and Overseas resort hotels have negotiated satisfactory increases in room rates for 1986.

The company also accompanied the interim statement with details outlining the purchase of up to four Boeing 737-300 aircraft in spring 1987 for around £68m and the sale of another 737-200 next April for £12.4m.

● comment

Mr Harry Goodman seems to feel more bullish than the market about his company's prospects. Yesterday the shares closed down 2p at 103p, despite a statement claiming that International Leisure has already sold an unprecedently large number of holidays for next summer, that its capacity is up, and that it is not expecting much discounting on price as the season draws nearer. The market is wisely not prepared to take all this on trust, and in the meantime is reacting to a rather disappointing first half and to shaved forecasts for the year as a whole. Margins have been badly squeezed, while one effect of the high level of early bookings for next year is to increase overheads in the second half of this year, making £9.5m pre-tax a likely outturn. Assuming a tax charge of 35 per cent, the prospective p/e is 9. That does not seem to reflect fully the risk of a holiday price war; while the weakness of the company's balance sheet is as ever a disquieting factor.

Pyke shows its worth with 47% increase

Pyke Holdings, the catering butcher, yesterday announced a 47 per cent increase in profits to show why it has attracted the interest of Hillsdown Holdings, which has made an agreed £17m bid, and Glen International, which is seeking a 28.5 per cent stake via an unusual tender offer.

Taxable profits rose from £1.16m to £1.7m in the year to September 30 1985, with earnings per share ahead by 5.2p at 21.8p. The dividend is lifted 1p to 6p with a second interim of 3.5p (3p).

Turnover was up 42 per cent at £49.87m, including £4.93m from Bransbys, acquired earlier in the year. Bransbys made pre-tax profits of £284,000 from last January 31. The tax charge for the year came to £759,000 (£536,000).

Pyke closed unchanged at 400p last night, compared with a valuation of around 396p in the Hillsdown offer and a tender price of 440p from Glen.

Minet surges 37% to £24.2m

AN IMPROVED performance from its broking sector has helped Minet Holdings to increase its pre-tax profits by 36.9 per cent from £17.67m to £24.19m in the nine months to September 30 1985.

The directors of this Lloyd's and general insurance broker say results have been adversely affected from the strength of sterling, and the profits of its overseas investments would have been higher by £2m if rates of exchange ruling in 1984 had been maintained.

The underlying growth in brokerage discounting currency factors is 31 per cent, compared with an increase in operating expenses of 23 per cent.

The company is now on course for reporting a very satisfactory growth in profits for 1985, say the directors—last year's profit was £23.31m.

Turnover in the nine-month period showed a 16 per cent increase from £57.27m to £66.47m —the figure for the whole of 1984 was £76.5m.

In September, Minet acquired all outstanding shares of Osborne Post & Kurtz Inc, Post & Kurtz Inc and Osborne Agnew Inc. These three associates, based in New York and New Jersey, specialise in insurance coverage for lawyers and other professional firms in the US.

Consideration payable in three cash instalments, over two years, was approximately $3.5m. Annual net pre-tax profits, of the businesses are about $450,000.

● comment

The rise in Minet's share price yesterday to 225p reflected more the salubrious effect of a sliding pound on the insurance broking sector, than any special enthusiasm over these results which tallied with City expectations. The third quarter is never Minet's best, and this time was no exception. However, the slowdown in the rate of profit growth compared to the second half was mainly due to currency factors, leaving the underlying growth in brokerage unchanged at an encouraging 31 per cent. Another strong fourth quarter could push profits for the year to £33m (unless the present chaos at Lloyd's results in renewals being postponed until next year, and barring another sharp fall in the dollar). In any event whatever the outturn, the market is not likely to pay much attention, as it is still waiting to discover the size of the damage to be inflicted by litigation over the PCW affair. Until that is known, the shares cannot hope for much of a rally.

Chapman Inds. hit by rising interest costs

The first six months for Chapman Industries saw interest charges rise by £254,000 to £348,000 and profits fall from £279,000 to £61,000 at the pre-tax level.

Inveresk Stationery had a disappointing half year and, in addition, the group incurred substantial start-up costs in its new print venture, Chapman Graphics, and the further investment in pulping technology ran into commissioning difficulties.

However, the second six months have got off to a better start and the interim dividend is being held at 2.3p net.

Turnover for the first 26 weeks to September 28 rose from £8.69m to £13.6m and operating profits edged ahead from £373,000 to £409,000—the group, based at Bromley, Kent, is engaged in the manufacture and conversion of paper and paper products.

Tax accounted for £27,000 (£54,000) and earnings amounted to 0.8p (8p) per 50p share.

BREMNER has received acceptances totalling 165 shares in George Dew for its offer, or 0.002 per cent, lifting its stake in the company to 7.8145 per cent. The offer remains open until January 15.

McCarthy & Stone rises 40%

RAPID GROWTH continued at McCarthy & Stone, in the year to the end of August 1985.

Pre-tax profits rose by 40 per cent to a record £9.55m, against £6.81m, on turnover up by 78 per cent from £21.6m to £37.9m. From earnings per 20p share of 13.86p against 10.48p, adjusted for a rights issue, the directors are recommending a final dividend of 2.05p (1.5p) making a total of 2.72p (2.175p adjusted for last year's one-for-one scrip issue).

During the year, the directors of this Hampshire-based group say, the company maintained its position as leader in the provision and management of private sheltered accommodation. Sales were 1,187 units, compared with 737 in the previous year.

It also began its first international development on the Channel Islands and a second site was acquired in Jersey. Research is being carried out in Europe and possible sites were identified in France and Spain.

The pre-tax figure was struck after higher interest payments of £2.04m (£546,000). The directors say that reflected increased financing was needed as the group expanded with a larger number of developments.

The tax charge was £3.78m (£2.71m) and with dividends absorbing £1.13m (£757,000), the retained profit came out at £4.64m, against £3.35m for last year.

The first nursing home in its new Homelife Care division has opened in Bexhill on Sea and the first occupants are expected in January. The second home is planned for Upton on the Wirral with an opening for later in 1986.

The directors say that the present year has started well with unit sales for the first three months at 256, ahead of the 162 in the same period last year. The number of units sold subject to contract in the same period is 577 against last year's 310.

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A & M merger discussions terminated

A & M Group, the furniture and equipment hire company, and Promotions House have terminated their merger discussions by mutual consent, having failed to reach agreement on merger terms which could be recommended to shareholders.

The two companies, which announced merger discussions on September 18, are consulting about A & M's intentions towards its 14.46 per cent holding in Promotions House.

Promotions House said it was continuing to look at further acquisitions. A & M said it aimed to develop both by organic growth and by acquisitions in media related businesses.

Bett Brothers

The directors of Bett Brothers say that because of an unexplained upward movement in the company's share price yesterday discussions regarding a recent unsolicited approach with a view to a possible merger have been terminated.

Amari makes first US acquisition

Amari, the metals and plastics stockholder and distributor, is making acquisition in the US with an agreement to buy Ontario Metals Supply Inc, for about $6m (£4m), spread over five years.

The company recently sold its main aluminium manufacturing business to concentrate on distribution in the UK, the Continent and North America. It has spent nearly a year looking for its first US acquisition — it already owns three companies in Canada.

Mr Jon Pither, the managing director, said the move "is part of a long term strategy to reduce the group's sensitivity to economic cycles and to strengthen our international sourcing capability."

Ontario Metals is a private company with a turnover of more than $30m. Mr Scott Norris, chairman of Ontario Metals, and Mr Greg Norris, president and chief executive, will both remain with the company.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Berkeley ......int.	1.4‡	Feb 14	1.2	—	3.6
Borthwicks	0.5	—	0.25	0.5	0.5
Burns Anderson	1.45	Feb 7	1.72	2.7	2.42
Fairbriar ......int.	0.75	Feb 24	—	—	—
Fleming O'seas ......int.	1	Feb 17	1	—	2.75
Greenall Whitley** ...	2.85	Feb 8	2.54	4.93	4.46
Greenall Whitley A ...	0.57	Feb 8	0.51	0.99	0.89
IC Gas ......int.	6.25¶	Feb 10	5.25	—	14.5
Internat'l Leisure ......int.	2	Jan 31	2	—	4.8
Latham ......int.	5	Feb 14	5	—	13.25
McCarthy & Stone	2.05†	Feb 28	1.6	2.72	2.18*
McCorquodale	3.4	—	3.4	5.7	5.4
McLeod Russel	4.5	Feb 12	3.38*	7.5	8.63‖*
Meyer Intl. ......int.	1.95	—	1.8	—	5.25
Moreeau	2.5	—	1	3.7	1.8
Norcros ......int.	2.8†	Feb 10	2.6	—	8.6
Nottingham Brick	4.5†	Feb 12	3.5	6.5	5
Plaxtons	3	—	3	4.5	4.5
Pyke ......sec int.	3.5	—	3	6	5
RFD ......int.	1.12	March 3	1.02	—	3.73
Syltone ......int.	3.8	Feb 8	3.6	—	10
Vaux Breweries	7.32	—	6.66	11.06	10.06

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ To reduce disparity. ‖ For 18 months. ** On limited voting stock.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	120	Ass. Brit. Ind. Ord. ...	120xd	—	7.3	6.1	7.4	5.9
151	126	Ass. Brit. Ind. CULS...	125	—	10.0	8.0	—	—
77	43	Airsprung Group	62	−1	6.4	10.3	10.3	13.6
46	28	Armitage and Rhodes...	39	—	4.3	11.0	4.8	5.8
167	106	Bardon Hill	164xd	+1	4.0	2.4	20.8	21.6
64	42	Bray Technologies	53	—	3.5	7.4	6.6	7.5
201	142	CCL Ordinary	142	—	12.0	8.6	3.5	3.3
152	102	CCL 11pc Conv. Pf. ...	102	—	15.7	15.4	—	—
130	10	Carborundum Ord.	118	−1	4.9	4.2	5.7	9.0
94	83	Carborundum 7.5pc Pf.	94	—	10.7	11.4	—	—
73	46	Deborah Services	58	—	7.0	12.1	6.0	7.6
32	21	Frederick Parker Group	21	—	—	—	—	—
83	33	George Blair	71	—	—	—	2.6	5.3
51	20	Ind. Precision Castings	51	+1	3.0	5.9	13.5	11.3
216	175	Isis Group	175	—	15.0	8.5	13.5	20.1
124	101	Jackson Group	110	—	5.5	6.0	7.4	7.4
286	213	James Burrough	276xd	—	15.0	5.4	8.7	6.7
95	83	James Burrough 9pc Pf	95	—	12.9	13.6	—	—
95	71	John Howard and Co.	75	—	5.0	6.6	6.0	9.4
225	100	Linguaphone Ord.	180s	—	—	—	8.6	6.9
100	90	Linguaphone 10.5pc Pf.	90s	—	15.0	18.7	—	—
650	300	Minihouse Holding NV	575	—	6.9	1.2	25.1	23.9
120	31	Robert Jenkins	70	—	—	—	9.0	20.0
60	28	Scruttons "A"	31	—	—	—	—	7.9
92	61	Torday and Carlisle ...	87	—	5.0	7.5	3.4	8.1
444	320	Travian Holdings	325xd	−5	4.3	1.3	18.5	18.2
42	17	Unilock Holdings	41	—	2.1	5.1	11.1	10.9
122	81	Walter Alexander	120	—	8.6	7.2	8.8	8.3
247	195	W. S. Yeates	200	—	17.4	8.7	5.7	5.8

s=Suspended.

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UK COMPANY NEWS

Calor £4m turnround helps IC Gas profits advance 45%

A TURNROUND of almost £3.7m in the pre-tax results for the Calor Group offshoot was the major factor behind an increase of 45 per cent in the pre-tax profits of Imperial Continental Gas Association in the six months to the end of September 1985.

Last time Calor reported a loss of £2.86m but this time had profits of £798,000 on turnover up from £103.42m to £118.9m. Directors say that there were further efficiency gains and operating profits came out at £1.89m, against losses of £1.77m.

There were also improved contributions from the oil operations group and the Belgian associate IGAO and net interest costs fell by £3.34m to £4.93m, mainly as a result of the sale of CompAir during the period.

From earnings per £1 share of 5.05p, against 3.64p last time, the interim dividend is raised from 5.25p to 6.25p, reflecting the policy of reducing disparity with the final. Last year a total of 14.5p was paid from pre-tax profits of £80.05m.

The directors emphasise that the interim figures give only a limited guide to the full year because they include no contribution from Petrofina, EBES, Intercom and Unerg, which represent a major part of the group's interests in Belgium and because of the influence of winter fuel consumption.

Turnover fell from £264.5m to £238.82m in the first half but that included £70m (£106.78m) relating to discontinued operations. Continuing operations improved to £168.82m (£156.72m). Transport Coulier (Belgium) was sold in the second half of last year and CompAir was sold to Siebe in July.

The consideration for CompAir was £58m and in addition £20m loans were repaid to IC Gas.

Trading profit from continuing operations came out at £17.28m (£15.19m) and related companies and general investments contributed £5.2m (£4.05m). The pre-tax figure was struck after allowing for a loss of £200,000 (£1.01m profit) from discontinued operations.

The tax charge came to £8.2m (£3.04m) and with minorities taking a reduced £2.43m (£4.21m) the attributable profit came out at £6.7m, compared with £4.74m last time.

Oil operations had profits of £14.12m (£13.19m) from turnover of £40.51m (£43.63m) with miscellaneous activities contributing £2.61m (£647,000) from £9.41m (£8.67m turnover).

Within oil operations, production from the Maureen and Forties fields was slightly down and reduced turnover in Century Power and Light was mainly the result of the lower sterling price for oil because of the dollar's weakness. In North America expanding oil and gas production resulted in higher turnover and pre-tax profits.

Since the year end additional oil and gas producing properties have been acquired in North America for a net total of $7.31m.

● comment

The reduction in IC Gas's interest charge came as no surprice but Calor Group's first-half prfofit—the first for many years—was an unexpected bonus. However, in the wake of Opec's latest pronouncements on oil prices IC Gas's decision to acquire an expensive stake in T-Block, the market's congratulations were restrained and the shares managed to shed 3 to 3.12p. The interim figures are an unreliable guide to the full-year result and this year the unpredictable relationship between oil prices, demand, and exchange rates makes the outcome more than ever a matter of guess-work. On the assumption that the three factors cancel each other out and that sterling oil revenues are roughly flat, a net full-year benefit of £4.5m from the disposal of CompAir and the continuation of Calor's strongly improved performanre might be expected to take net income to £45m after a 36 per cent tax charge, putting the shares on a prospective p/e ratio of 9—high for the sector but reflecting the group's non-oil interests.

ConsGold reaches agreement on sale of US interests

BY KENNETH MARSTON, MINING EDITOR

LONDON'S Consolidated Gold Fields, international mining group, has reached agreement for the sale of its US industrial interests. The buyer is a management group led by Mr Richard Secrist which is to pay a total consideration of $124m (£86.2m).

This covers the purchase of Golds Fields American Industries (GFAI) and part of the assets of the Skytop Brewster group; a previous arrangement whereby Branham Industries of Texas was to acquire the Skytop assets was not finalised.

The deal is that the management group's company, Blue Tee Acquisition, will be merged into GFAI to form Blue Tee Corporation (Blue Tee). Gold Fields will also be given rights to receive between 25 per cent and 45 per cent of Blue Tee common shares.

Apart from the Blue Tee shares, the consideration payable will be made up of cash, cumulative preferred stock of Blue Tee, a C$13m demand loan note and the assumption by Blue Tee of liabilities in the shape of $8m Industrial Revenue bonds.

Already $120m has been remitted to London at an exchange rate of $1.14 to the pound, but the deal is conditional on the completion of certain inter-company shuffling of the assets.

It is hoped that a buyer might yet be found for the Skytop assets not included in the scheme—mainly drilling rigs—and the proceeds would go to Gold Fields. The latter intends to use the proceeds of all the disposals to reduce debt.

The book value of the assets being sold is some £155m and there are past heavy losses sustained by the Skytop Brewster drilling rig manufacturer to be taken into consideration. But Gold Fields will probably be relieved to have extricated itself at last from a disastrous incursion into the US industrial scene dating back to the early 1970s.

See Lex

Anglo Nordic in agreed £7m offer for Petbow

BY CHARLES BATCHELOR

Anglo Nordic Holdings, engineering and property group, is making an agreed £7.04m take-over bid for Petbow Holdings in a move it believes will create a major new European power generation company.

The Petbow purchase will allow Anglo Nordic to add £20m of turnover to the existing £11m of business carried out by the Auto Diesels Braby subsidiary. Petbow originally approached Anglo Nordic with a proposal to buy Auto Diesels but the deal was reversed to allow Anglo Nordic to bid for the whole of Petbow.

Anglo Nordic is already a large UK manufecturer of power generation sets. It believes that the addition of Petbow will place it ahead of two continental competitors, SDMO of France and Struver of Germany.

Anglo Nordic is strong in the field of ground power systems, equipment to provide sanitation, fuel, electrical and hydraulic power to civil and military aircraft on the ground. Petbow has a Singapore plant which will be used as a base for Anglo Nordic in the Far East.

Petbow makes alternators while Anglo Nordic buys in its alternators.

British companies are strong in the area of power generation but the industry has come under pressure from a decline in the financial strength of its customers overseas.

Another major manufacturer of diesel and gas turbine generating sets, Dale Electric International, recently reported a sharp fall in pre-tax profits in the year ended April 1985 from £2.16m to £544,000. Turnover declined from £38m to £36m.

Anglo Nordic is offering one of its own shares and 25½p nominal of 10 per cent convertible unsecured loan stock 1989-1992 for each Petbow share.

Anglo Nordic's shares fell 4p to 27p yesterday to value its paper offer at 52½p—the same level as its cash alternative. Petbow's shares rose 2p to 50p.

The cash alternative is being underwritten by Standard Chartered Merchant Bank and being sub-underwritten by a group which includes F. L. Smidth (Holdings), the Danish cement plant manufacturer which currently owns 51.57 per cent of Anglo Nordic.

Smidth has agreed to take up the first 5m shares tendered as a result of the cash alternative in a move which could reduce its holding to 45.7 per cent of Anglo Nordic before conversion of any loan stock and to 35.6 per cent after full conversion.

Anglo Nordic's interim results for the six months ended September 1985 will show a loss though historically the seasonal pattern has resulted in improved profitability in the second half, the company said.

Petbow yesterday announced a pre-tax loss of £672,000 in the six months ended September 1985 compared with a loss of £181,000.

Kier hits at 'frenetic' Beazer

BY DAVID GOODHART

French Kier Holdings, the construction group subject to a £115m take-over bid from C H Beazer, yesterday said the Beazer offer was opportunistic "and symptomatic of its frenetic quest for size."

Kier's official rejection document said he bid significantly undervalues "French Kier's name, its hard won reputation, well respected management, present value and future prospects."

The terms of the Beazer bid announced on November 14 are two ordinary shares and 655m in cash for every seven Kier shares with a cash alternative of 225p. But Kier said yesterday that it was obvious that the bid was only made because Trafalgar House's 26 per cent holding in Kier had become available.

Mr John Mott, the Kier chairman, said: "I find it barely conceivable that Beazer would have embarked upon the acquisition of G E Wallis announced on November 6 had it then been contemplating the offer for French Kier announced on November 14."

The document spells out that over the past five years pre-tax profits have increased steadily from £8.6m to £16.4m, dividends per share have increased from 3.25p to 6.15p and the share price has increased by over 700 per cent since January 1 1980.

Mr Mott also stressed that the growth had been in a fashion very different to Beazer's fast growth by acquisition. "Our record has been generated organically without resorting to shareholders for funds or issuing significant tranches of shares to finance acquisitions. This contrasts starkly with Beazer's record."

Emphasising its own experience—and Beazer's lack of it—in international contracting the document states that in the last financial year one third of turnover and 47 per cent of pre-tax profit came from overseas.

COMPANY NEWS IN BRIEF

BIOMECHANICS International rights issue of £642,309 8 per cent convertible unsecured loan stock 1991 has been subscribed as to £508,524 nominal of the stock (79.17 per cent). The balance will be taken up by the sub-underwriter, Growth Fund.

WAREHOUSE GROUP, fashion shops, increased pre-tax profits from £154,000 to £181,000 in the half year ended September 30 1985. Turnover totalled £4.5m (£3.19m). Basic earnings amounted to 15p (12.1p) per 25p share. Company has entered into agreement with Freemans to produce three Warehouse Bymail catalogues a year to be offered through Freemans outlets. Bulk of benefit will accrue in later years but company confident deal will make major contribution to profitability.

YEARLING bond interest rate for this week is 11$\frac{1}{16}$ per cent, up ½ of a percentage point from last week, and compares with 10$\frac{1}{16}$ per cent a year ago. The bonds are issued at par and are redeemable on December 17 1986.

A full list of issues will be published in tomorrow's edition.

OPTOMETRICS (USA), the Delaware-based maker of optical components, reported pre-tax profits down from $84,000 to $65,000 (£45,000) on turnover of $1.24m ($1.26m) in the six months to September 30 1985. Earnings per 1 cent share for this company which came to the USM in January this year were 0.44 cents (0.62 cents) and as stated in the prospectus no dividend is being paid at this stage.

TOWLES, hosiery and knitwear maker, reduced taxable losses from £354,000 to £33,000 for the half year ended August 31 1985 on turnover little changed at £5.49m (£5.51m). After tax credits of £142,000 (£174,000) loss per share is shown as 8.04p (7.58p).

PICCADILLY THEATRE has announced lower pre-tax profits of £19,339 (£20,901) for the six months to March 31 1985, on turnover ahead at £125,315 (£100,757). As usual there is no interim dividend. Net earnings per share are shown as 1.2p (1.1p). In the year to end-September £116,000 of provisions made in previous years for bad and doubtful debts will be written back. Its holding company, Maybox Group, has purchased shares at 125.5p each, and now holds 846,988 (94.1 per cent). Maybox is willing to acquire at that price any further shares which may be offered.

ROBERT MAXWELL, Mirror Group publisher, has purchased 100,000 Britannia Arrow ordinary, bringing his holding to 7.61m ordinary, which, together with the 100,000 shares owned by Pergamon Press, of which Mr Maxwell is chairman, totals 7.71m ordinary (5.12 per cent).

UK COMPANY NEWS

Lower activity and tight margins hit Meyer Intl

LOWER LEVELS of activity and pressure on margins have resulted in reduced pre-tax profits of £13.22m for Meyer International, the UK's largest timber group.

In the six mooths ended September 30 1985, against £16.08m previously.

Mr Ronald Greves, the chairman, saye that fluctuations in currency rates have been a factor in destabilisiog timber prices, adding to group's difficulties. However, conditions now appear more hopeful, he adds, and the directors are looking to better results in the second half. For 1984-85 second half year profits amounted to £14.25m (£15.81m).

A higher interim dividend of 1.95p (1.8p) is being paid, which will absorb £1.88m (£1.74m). This is well covered by stated net earnings per 25p share, which are down from 9.59p to 8.79p.

Group turnover for the balf year fell from £284.05m to £278.53m, yieldiog trading prefits of £15.15m (£18.26m).

Profits on sala of tangible assets were £236,000 (£325,000), and net interest payable drepped from £2.55m to £2.17m. The pre-tax result was struck after a lower contribution of £6,000 (£18,000) from its related compaoies.

Mr Groves reports that Powell Duffryn Timber, which was acquired in October, is being assimilated into the group, and tha board is confident that it will prove a wortbwbile investment. Meyer paid a total of £18.65m for the acquisitioo.

The tax charge for the balf year was down from £6.84m to £4.75m, to leave net profits of £8.47m (£9.24m). Extreordinary items last time added £273.000.

● comment

Weak demand, poor prices and adverse currency movements have not been of any help to Meyer but the second half should be better. Currencles—so far—are less voletile, demand is creeping ahead and prices could sbow an improvement. Full year prefits could come out around £27m to £28m, or even £30m with a very mild winter, on pure trading grounds though there are a couple of wild cards in the gamo. At the end of last year Meyer made e £2m provision against stocks in anticipation of falling valnes this year. So far that mova has proven over-optimistic and there might possibly be some write-back at year end. Also there are a eouple of lumpy asset disposals in the pipeline which could belp this year. Thoughts of a bld have receeded now that Adelaide Steamship bas sold most of its stake but the price still looks fair value on a prospective p/e of around 10 at 179p. The management bas shed much of the business that traditionally exposed timber groups to higb peaks and low troughs in earnlngs and Jewson, anlarged by Powell Duffryn Timber, gives added stability. Further acquisitions to stabilisa profits will be made eventually but nothing is imminent.

McLeod Russel progresses

McLeod Russel has completed its reorganisation and has started to expand its activities botb in the UK and abread with a combination of internal growth and acquisitions.

The directors intend to expand the UK-based business and preperty interests and provide a fair balance between plantations, property aod manufacturing.

In the 12 months to September 30 1985 the gronp returned pre-tax profits of £14.3m, compared with £12.02m for the previous 18 months.

A final dividend of 4.5p makes 7.5p for the year—an adjusted 8.625p was paid for the 18 months.

The group has made a satisfactory start to the current year and believes lts wide spread of activities will cushion it from the volatility of tea prices and provide a more stable earnings base.

Latham down at £0.4m as timber prices fall

AN "UNSATISFACTORY level of customer demand coincided with falling timber prices" Mr E. Michael Latbam, chairman of James Latham, timber merchants, reports for the six months to September 30 1985.

This reflects the general weakness in primary commodities worldwide, be adds, announcing a £630,000 fall ln pre-tax nrofits for the period, to £406,000, on turnover down from £18.1m to £17.89m.

The lnterim dlvldend, however, is maintained at 5p net. A total of 13.25p was paid ln 1984-1985 when profits amounted to £1.66m (£1.65m).

Demand has improved during the autumn, the chairman says, and other factors are less adverse. The group is reasonably busy, and customers seem more optimistic.

He adds that the current level of activity, coupled with known cost savings and margin improvements, indicates that the second half will be significantly more profitable.

Trading profits for the period fell from £1.46m to £886,000, and the pre-tax result was after higher interest charges of £375,000 against £299,000, and e reduced £105,000 (£124,000) for depreciation. Some depreciation in stock values resulted as the pound continued to strengthen against other major currencies, the chairman explains.

Net profits slumped from £886,000 to £323,000 after a lower tax charge of £83,000 (£150,000), to leave earninge per £1 share down from 33.6p to 11.3p.

Tha directors bava decided to set aside £400,000 as a provision against unfunded pensions, tha chairman states.

Comtech in loss and selling Trimoco

Combined Technologies Corporation lost nearly £3m before tax, against £4.38m, over the six months to end-September, 1985, and discloses plans to sell lts Trimoco motor dealing subsidiary.

Mr James Longcroft, the chairman, says that the sale takes into account "progress made in new technology ventures and our commitment to fund Laserstore internally until completition of the present development pbase."

Trimoco currently has an asset value of £14m and "its sale would provide to Comtech substantial funds, well in excess of its commitments."

All new technology operations, which inclnde the tronbled Mnemos subsidiary, incurred losses in the first half.

Only the automotive business made a profit, and that was down from £1.12m to £911,000 on turnover ahead from £76.82m to £86.83m.

Mnemos, which is 58.98 per cent owned and has a separate USM qnotation, lost £2.55m, against £3.62m. Additional financing is being sought from e US institntional private placement because the directors say that demand in tbe USM is deemed in sufficient to support a public financing.

Some bridging finance may be required before the placing, and Plasmon, the optical disk manufacturing subsidiary, is negotiating second round finance to move into full production and marketing.

Laserstore, which lost £1m compared with £949,000, may exceed its full year R & D expenditure estimates of £500,000.

In addition Comtech also announced that it has repaid £915,000 in connection with the sale of Trilvade Holdings to Fergabrook.

On prospects, Mr Longcroft says that the automotive side is concentrating on asset management and cost controi and Mnemos is continuing to increase marketing focus en US automotive markets.

At last night's close Comtech's shares were languishing ½p lower at 7½p while Mnemos's were unchanged at 15p.

Berkeley seeks full SE listing

Berkeley Group, private residential housebuilding and commercial property development concern qnoted on tha USM, is seeking admission to the Stock Exchange Official List today with dealings expected to start next Monday.

The directors feel lt appropriate that the group sbould seek admission in view of the growth since its entry to the Unlisted Securities Market in July 1984.

Berkeley also reveals an 84.1 per cent jump in taxable profits to £1.67m (£906,000) for the six manths ended October 31 1985.

The gronp enjoyed a good steady demand for its homes during the half year—which is continuing—with turnover expanding by 74.9 per cent to £13.24m (£7.57m).

After tax of £667,000 (£408,000) earnings per share, on capital increased by April's rights, are stated as 8.3p (5p) while the interim dividend is lifted from 1.2p to 1.4p—last year's final payment was 2.4p.

Profits rise by 53% at Fairbriar

Fairbriar, the Surrey-based property developer which came to the market in October, reported an increase in pre-tax profits in the six months to the end of September 1985 of 53 per cent. The directors have decided to pay the expected special interim dividend of 0.75p.

Mr Remo Dipre, chairman, says that the results show a continuation of the group's healthy growth and that it is on course to achieve the forecast profits of £3.1m.

On turnover np by 16 per cent from £3.17m to £3.68m pre-tax profits rose from £795,000 to £1.22m. The comparative figures refer to the residential development business

Syltone climbs by 35% at interim stage

An increase of 35 per cent from £469,000 to £635,000 in pre-tax profits is reported by Syltone, the Bradford engineer, for the half-year to September 30 1985. The interim dividend is held at 3.6p net—last year's total was 10p from pre-tax profits of £1.36m.

Group turnover in the first half rose from £8.91m to £10.21m, and trading prefits increased from £629,000 to £820,000.

McCorquodale up 31% to £10m

THE past year for McCorquodale, printer, was one of significant achievement and progress for future growth, tempered by a major disappointment in the decision to close the printing machioery activity, Mr Alastair McCorquodale, the cbairman, tells shareholders.

For the 12 months eoded September 30 1985 taxable profits improved by 31 per cent from a restated £7.76m to a record £10.2m, for the company whicb receotly called off its £12.2m bid for Richard Clay, the book printer.

Earnings per shara are lower at 12.54p, compared with 13.68p. The dividend is lifted from 5.4p to 5.7p oet with e final distribution of 3.4p.

Group sales also advancad by 31 per cent to £160.25m (£122.33m) and with trading profits of £13.04m (£9.6m) were split on a geographical basis as to:

UK £106.25m (£83.47m) and £5.68m (£5.79m); Europe £3.34m (£2.44m) and £262,000 (£80,000); North America £31.86m (£22.18m) and £2.95m (£1.14m); South America £11.23m (£6.66m) and £2.82m (£942,000); Africa £3.77m (£4.49m) and £1.03m (£1.49m); Australia and Fer East £3.81m (£3.1m) and £298,000 (£159,000).

Mr McCorquodala explains that during the year the group created a specialised internatio oal publisbing activity, completed a major pbase of its acquisition and investment programma to establish a substantial magazine and publication printing business, aod implamanted a far reaching reorganisation of the operating structure.

The cbairman edds, however, that since the year end all trading activities of McCorqnodale Machine Systeme were terminated, with directors making a nat provision of £6.5m for the anticipated closura costs.

They bleme tha delay in finalising the development of its new range of equipment and the size of tha resources required to market and manufacture tha complated product.

Most of the mainstream UK businesses did wall, the chairman says, but the overall picture was adversely affected by the performance of Machine Systems, and by disappointing results from the colour card business in the last quarter.

The book printing companies had an excellent year and the pnblication and magazine printing businesses "have grown successfully and have been implementing a large capital expenditure pregramme," Mr McCorquodale states.

Including tha Machine Systems provision, extraordinary items debited £7.18m for the year (£2.3m) and after other figures including tax of £4.22m (£2.52m) there was a loss of £1.22m attributable, compared with £2.88m prefits.

Comparative results have been restated to reflact the group's change in accounting policy in regard to the translation of overseas profits into sterling.

● comment

McCorquodale's profits rise of almost a third was well up to expectations although the announcement was not unblemished. McCorquodale Machine Systems—the business which was supposed to be designing the new generation of cheque printing machines—is closing after three years of effort leaving tha group with a £7.2m hole and 100 redundancies. Machines for its own purpose will still be finished but the grandiose plans to be a supplier to world markets have stumbled over technical problems. For tha present the existing cheque printing machinery is still up with the pack and the markat ebare bas been improved to around 30 per cent. But its machines lack the flexibility some bankers are demanding and investors may want to reserve judgment on whether that stake can ha beld. The extraordinaries have not belped the balance sheet but with shareholders' funds of £47m supporting net debt of under £20m, January should not see a repeat of the rights lssue which featured at the beginning of '85 and '84, especially as the group is confident of a fairly strong year with the help of fast growing magazine printing. At 138p, down 3p, the p/e is 11.

Borthwick held back by NZ dollar rise

FLUCTUATIONS IN the valua of the New Zealand dollar have outweighed a batter than expected secood balf trading at Thomas Borthwick and Sons, international food, meat and trading gronp, leaving it with a taxable profit of £4.7m for the year ended September 30 1985, a rise of 12 per cent.

"Had the New Zealand currency remained stahle," says Mr Lewis Robertson, the cbairman, "the group profit would bave been very coneiderably higher."

Tha annual total dividend is held at 0.5p, but Mr Robertson said that wben the situation as regards the New Zealand government'a plans for sheep meat marketing had been clarified, the company would consider wbether a special interim dividend was appropriate. Earnings ner share for tha year were 1.9p higher at 5.3p.

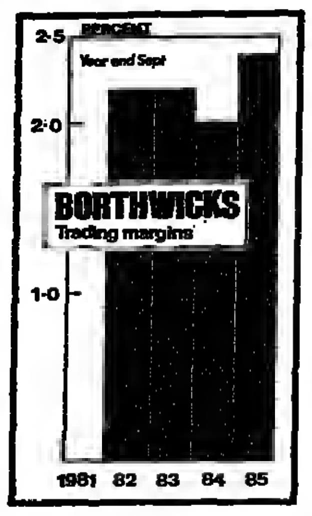
Group turnover moved ahead by £11m to £552.69m. At half way, the chairman predicted that pregress in the second half would be modest, but as the season went on in Australia and New Zealand, "it began to seem likely that the second six months would prove more favourable than bad been expected."

However, from July the sharp and unexpected upward movement in tha NZ currency brought it 20 per cant higher against tha US dollar and 15 per cent up on sterling at the year end.

This revaluation coincided with a high stockholding period and continuing livestock purchase in NZ dollars, alongside salee of products in US dollars, yen and sterling, and therefore sevarely affected tha last four months' trading in NZ meat, wool and pelts.

Summarising the year's trading, Mr Robertson said that the serious problems in Australia bad been brought largely under control, and that tha NZ currency difficulty masked a year of steady progress there. In the UK and France retail trading again proved difficult, although a number of policies bave been pursued to contain the effects.

Wool trading, though severely affected by the NZ revaluation and market prices, finished tha year in profit, while UK meat operations and Midland cattle products both felt tha effect of weak markets.



Interest charges rose in tbe year from £7m to £8.6m, reflecting generally higb world rates. Control of borrowings bad been methodically maintained, said the chairman. Tax took £1.5m (£2.08m).

● comment

Forecasting Borthwick's profits is an almost impossible task, as not only is meat trading a notoriously unpredtictable business but there are also an unusually large number of external fectors that can turn expectations upside down. What upset analysts' forecasts this time was a strengthening New Zealand currency, which may have reduced prefits by about £2m. The latest unknown is the effect of the New Zealand Government's surprise decision to put meat trading back into the hands of the private sector. Bortbwick itself bas no idea what the npsbot will be and bas therefore chosen to maintain lts tiny dividend. Meanwbile, its activities in Australia have responded to treatment and should be in profit this year, although the improvement overall will have negligible effect on gearing, currently at about 180 per cent. The ever present threat of a rights issue combined with an uncertain trading outlook explain why Borthwicks is on an historic p/e ratio of 6.4 on yesterday's price of 34p.

Coach building activities hit profits at Plaxtons

ANOTHER set of disappointing results from tha main coach building activity of Plaxtons, ln the year to September 29 1985 offset an improvement in other areas resulting in a fall in pre-tax profits from £1.98m to £1.31m.

Turnover rose slightly from £31.91m to £32.32m. There was an exceptional debit of £296,000 for the period whicb reduced the trading profit to £913,000 compared with £1.59m.

The final dividend is being beld at 3p, making 4.5p for the year (same). Earnings per sbare are given as 6.1p (10p) after tax of £590,000 (£798,000).

Paxtons says its sbare of tha depressed coacb market was maintained at the expense of already tight margins. Trading profit in the division was balved from £1.34m last year to £634,000.

The need to employ temporary labour and increase overtime working in the spring following the industrial disputa last year and subsequent shortages in orders in the soummer resulting in redundancies, further depleted profits, the group adds.

Luxury coach service and special products activities and Reeve Burgess, which makes small passenger vehicles and supplies cab conversions for commercial vahicles, both exceeded turnover and profit targets.

Building and shopfitting sbowed a modest improvement the directors say, with competition remaining fierce and margins thin. Contracts received recently will ensure work for an increased workforce during the first balf of the present year, it adds.

However, turnover at Wilfred Overton, which makes vehicle fitments, although increased included a greater proportion of lower margin prodncts which reduced profits.

Plaxtons has introduced several measures to cope with a coach building market which remains very competitive in the absence of any increase in volume demand. Orders are at a similar level to last year, tha group says.

The management structure of the division has been reorganised.

BOARD MEETINGS

TODAY

Interims:—Anderson Strathclyde, Braithwaite, British Building and Engineering Appliances, H. P. Bulmer, Charter Consolidated, Oerlitend Stamping, Havelock Europa, M & G Second Dual Trust, Marling Industries, Moorgate Investment Trust, Northamber, Wagon Industrial, Yellowhammer.

Finals:—Albion, Associated Paper Industries, Frederick Cooper, Electronic Data Processing, Flexello Castors and Wheels, Granada, Irish Distillers, NSS Newsagents, Stakis, Tate and Lyle.

FUTURE DATES

Interims:—

Marston Thompson & Evershed	Dec 19
Parkfield	Dec 12
Stoddard	Dec 12

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UK COMPANIES

Nottingham Brick increases market share and profits

INCREASED MARKET share at Nottingham Brick in the year to September 30 1985 helped it to lift profits by 36 per cent from £1.78m to £2.43m. Turnover rose 21 per cent from £8.85m to £10.76m.

The group says that it achieved the highest turnover and pre-tax profit in its history and it made and sold a record number of bricks at just under 92m.

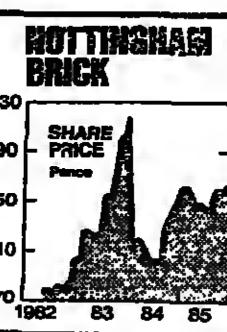
Earnings per share in the period rose from 10.76p to 13.78p, adjusted to reflect the rights issue in December 1984.

The group expects to increase production further next summer when the fourth kiln on schedule at its Nottingham factory is completed. In addition, it says that land adjacent to the factory has been purchased with further substantial clay reserves which means that raw material is available for the next 50 years.

Production and sales at the Maltby factory were satisfactory for the year, the group says. However, there was a shortfall on the budgeted annual production at Thurmaston, but overall performance at the factory has now improved.

A save-as-you-earn share option scheme is proposed for eligible employees.

The board says the recent high levels of trading have continued in the first two months of this financial year. And with the widening range of bricks on offer at competitive prices and the increased production available in the summer it is confident of continuing to achieve increased market penetration.



● comment

The post-Hanson brick world is turning out to be not all that uncomfortable; how else explain Nottingham's record brick production and increase in pre-tax profits and its one point increase in trading margin. The fears that Hanson would set prices from a monopoly position to the detriment of its competitors is proving far from the truth. Indeed, the more Hanson raises prices and cuts capacity, the greater the opportunity for the makers of facing bricks such as Nottingham; while the influence of Hanson has caused companies to look more closely at their clay-pit assets as potential rubbish-dumps for local authorities or even as sources of methane for the kilns. Capacity increases should provide a double-figure percentage improvement at the pre-tax level this year even without a better margin—and that seems very much on the cards. In a broad market for the shares, the prospects would hardly be discounted by a historic 5.8 per cent yield and price/earnings ratio of 11.5 at 163p. But since Nottingham is producing at capacity, it will obviously need new capital to take advantage of the post-Hanson opportunities.

Chancery to become first merchant bank on USM

BY RICHARD TOMKINS

Chancery Securities is to become the first merchant bank to come to the USM. Brokers Paul E. Schweder, Miller are placing 2.8m shares at 63p a share, giving it a market capitalisation of £8.6m.

The company is a London-based licensed deposit taker and dealer in securities. Some 73 per cent of pre-tax profits come from banking services, 35 per cent from finance broking and 12 per cent from corporate and financial services.

Chancery was founded in 1977 by Mr Harvey Cohen, chairman and chief executive, and three other chartered accountants. It began as a financier, financial consultant and licensed dealer in securities, and became a licensed deposit taker in 1981. Last year it acquired Duboff, a banking business which had been run from the same premises by the same management.

The principal business of the banking services arm is granting secured overdrafts. The finance broking arm provides services mainly to the property sector. The corporate and financial services arm is largely engaged in arranging the sale of leased equipment and industrial buildings, but it also sponsors new issues under the business expansion scheme.

Pre-tax profits have risen steadily from £206,000 in 1981 to £871,000 for the year to last March. For the current year the directors are forecasting profits of £1.1m, putting the shares on a prospective p/e ratio of 9.75 on an actual tax charge basis.

No director of Chancery is selling any shares in the placing and the net proceeds of about £1.5m will be used to expand the company's banking services.

Chancery says the enlarged shareholders' funds of £5.1m will enable it to make larger advances within its present policy of not allowing any one advance to exceed 10 per cent of shareholders' funds. Maximum gearing is set at five to one.

The additional funds will also allow the maximum period of advances to be extended to five years, so widening the spectrum of possible customers.

Morceau jumps by 95% to over £3m

Another big jump in profits is reported by Morceau Holdings, specialist fire protection group. In the year ending September 30 2985 they rose 95 per cent before tax from £1.58m to £3.07m, just beating the 93 per cent rise in interim profits from £677,000 to £1.31m.

Turnover was up 22 per cent from £10.71m to £13.13m. A final dividend of 2.5p per share is being recommended, making 3.7p for th eyear, compared with 1.6p last year when the group gained a full Stock Exchange listing in the February.

UK operations accounted for £7.47m of total turnover and the figure was 31 per cent higher thanl ast year. The growing use of steel structures continues to boost the need for passive fire protection and related systems, the groups says. Aberdeen office, established a year ago, has made significant penetration into the petrochemical and offshore market and has received several orders.

In the commercial sector, orders won included work on the Hays Wharf development and for the Daily Telegraph building.

Management recruitments have been made to help with the growth in domestic activity.

The group says its major contract in the Far East, work on the Hongkong and Shaianghai Banking Corporation building, will continue well into next year. Inquiries have been received for work in Hong Kong, Taiwan, the Philippines and China.

In the medium term Morceau is implementing plans to exploit opportunities in China, Taiwan and Scandinavia. It is continuing to base itsstrategy on establishing a strong local presence in markets in which it operates.

RFD set for year end profit rise

As indicated in his annual review, Mr A. G. MacPherson, chairman of RFD Group, says the current year is showing a steady continuation of last year's trends with pre-tax profits up from £512,00 to £664,00 fo rthe half year ended September 30 1985.

For the year as a whole the company is looking for an improvement over last year's £1.92m.

After tax of £298,000 (£258,000) earnings per share are shown as 2.73p (1.78p) while the interim dividend is lifted 10 per cent to 1.12p (1.015p). Last year's final payment was 2.72p.

Group turnover amounted to £19.36m for the six months, against a previous £20.59m with cost of sales taking £15m (£16.18m).

The directors explain that turnover includes £263,000 (£2.53m) in respect of estimated sales value for work performed on long-term contracts not yet invoiced.

Trading profits were 42 per cent higher at £1.01m (£709,000), but the taxable result was after higher interest charges of £342,000 £197,000).

Mr MacPherson says the textile division continued to perform well with further increases in both sales and profits, while the safety and survival division showed a good recovery. The cable components sector is again facing more difficult trading conditions in its traditional tape business, although its new compounds continue to make progress.

The chairman says that in the defence equipment sector the slowdown in Ministry of Defence parachute business continues ,affecting current profitability, while elsewhere in this division, useful progress was made towards building an order book for weapons training systems.

Svenska Handelsbanken

US$ 100,000,000 12⅛% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4(b) of the Notes, US$ 25,000,000 principal amount of the Notes has been drawn for redemption on 10th January 1986, at the redemption price of 101% of the principal amount, together with accrued interest to 10th January 1986.

The serial numbers of the Notes drawn for redemption are as follows:—

2	587	1155	1842	2449	3170	3786	4344	4974	5627	6315	6968	7567	8244	8871	9566	10233	10867	11512	12217	12872	13493	14135	14849	15490	16133	16799	17483	18124	18773	19414
5	591	1157	1843	2469	3172	3787	4346	4979	5633	6317	6971	7579	8246	8881	9567	10235	10868	11517	12221	12877	13503	14136	14853	15491	16136	16801	17488	18128	18777	19421
6	597	1158	1846	2470	3175	3799	4348	4984	5642	6319	6973	7581	8251	8892	9568	10254	10869	11522	12222	12881	13507	14138	14854	15493	16150	16811	17490	18130	18778	19424
11	598	1161	1856	2472	3176	3804	4350	5008	5650	6326	6978	7584	8256	8893	9576	10262	10878	11526	12227	12883	13511	14141	14855	15495	16151	16816	17491	18139	18781	19429
20	602	1167	1862	2473	3177	3809	4353	5009	5653	6327	6981	7593	8257	8896	9579	10266	10887	11527	12230	12884	13517	14143	14864	15496	16157	16817	17493	18147	18784	19432
27	605	1168	1866	2483	3182	3811	4355	5011	5655	6330	6987	7594	8265	8902	9580	10270	10888	11528	12232	12885	13518	14146	14866	15505	16158	16825	17499	18152	18797	19433
31	608	1173	1869	2484	3186	3812	4359	5014	5679	6331	6991	7602	8268	8904	9585	10277	10892	11535	12237	12896	13519	14154	14867	15509	16162	16837	17505	18164	18803	19435
33	609	1174	1872	2490	3190	3815	4372	5017	5683	6332	6994	7603	8272	8912	9586	10278	10896	11538	12244	12901	13522	14156	14869	15512	16166	16843	17506	18165	18804	19439
35	610	1175	1876	2493	3193	3816	4385	5020	5685	6335	6996	7605	8274	8913	9587	10280	10905	11545	12245	12902	13527	14158	14871	15513	16171	16844	17509	18176	18806	19442
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355	919	1568	2150	2881	3501	4116	4727	5376	6033	6673	7303	7962	8609	9272	9948	10617	11240	11925	12625	13218	13849	14531	15242	15854	16529	17210	17854	18527	19191	19792
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365	926	1579	2163	2887	3511	4125	4733	5385	6044	6679	7305	7965	8614	9277	9950	10623	11254	11932	12636	13221	13857	14543	15247	15857	16531	17214	17857	18534	19201	19803
368	927	1583	2172	2888	3517	4127	4742	5388	6045	6681	7313	7973	8632	9279	9953	10625	11261	11939	12639	13226	13859	14547	15249	15861	16533	17217	17863	18538	19204	19813
370	931	1588	2176	2899	3524	4129	4745	5391	6046	6682	7320	7975	8634	9281	9958	10626	11263	11940	12652	13233	13863	14557	15256	15866	16535	17219	17865	18541	19209	19814
371	933	1592	2177	2903	3533	4130	4749	5399	6058	6686	7326	7977	8637	9284	9963	10627	11265	11943	12658	13234	13869	14571	15258	15868	16538	17222	17878	18542	19210	19822
377	934	1593	2182	2904	3534	4133	4751	5400	6059	6703	7328	7978	8639	9285	9964	10635	11274	11946	12659	13241	13877	14574	15263	15872	16541	17232	17887	18544	19216	19829
379	936	1596	2183	2905	3537	4136	4752	5401	6062	6707	7330	7984	8641	9286	9973	10636	11279	11949	12662	13243	13891	14578	15265	15873	16548	17234	17888	18547	19222	19830
384	939	1597	2187	2906	3539	4138	4764	5402	6065	6712	7331	7989	8645	9290	9977	10637	11283	11965	12663	13246	13894	14581	15268	15877	16549	17235	17889	18549	19225	19832
385	941	1600	2188	2909	3545	4140	4768	5407	6067	6718	7335	7991	8646	9294	9980	10641	11287	11970	12667	13248	13906	14585	15272	15878	16553	17237	17891	18553	19226	19845
386	948	1602	2194	2917	3547	4144	4769	5412	6068	6733	7347	7996	8648	9296	9985	10649	11289	11976	12674	13249	13908	14586	15285	15881	16554	17238	17899	18557	19228	19846
388	950	1604	2198	2922	3554	4149	4778	5419	6074	6738	7350	7999	8651	9301	9997	10650	11290	11977	12675	13254	13926	14593	15290	15883	16555	17242	17900	18558	19231	19851
389	957	1606	2202	2924	3555	4156	4787	5420	6080	6739	7354	8003	8657	9304	9998	10652	11293	11980	12677	13263	13928	14597	15291	15890	16559	17246	17905	18559	19234	19854
392	958	1607	2203	2929	3558	4157	4792	5421	6085	6740	7355	8007	8659	9307	10006	10654	11302	11981	12678	13270	13930	14606	15295	15891	16567	17247	17910	18571	19242	19859
395	962	1611	2204	2931	3560	4158	4793	5427	6086	6741	7357	8010	8668	9309	10014	10658	11303	11987	12679	13272	13932	14610	15305	15896	16569	17250	17918	18576	19245	19862
396	964	1621	2205	2932	3561	4161	4795	5432	6087	6743	7358	8024	8669	9317	10016	10660	11310	12003	12688	13273	13934	14612	15314	15904	16571	17252	17921	18578	19247	19867
402	965	1633	2208	2948	3563	4162	4797	5437	6095	6744	7359	8028	8676	9322	10018	10675	11318	12013	12690	13274	13935	14614	15316	15905	16589	17258	17923	18581	19253	19872
405	967	1638	2211	2955	3573	4168	4800	5441	6096	6749	7367	8029	8678	9330	10020	10681	11320	12016	12692	13287	13943	14619	15317	15908	16590	17261	17931	18585	19260	19873
412	980	1639	2212	2956	3578	4170	4802	5446	6104	6756	7369	8030	8682	9333	10025	10683	11321	12017	12694	13294	13947	14626	15319	15911	16593	17262	17936	18590	19261	19877
413	987	1657	2219	2963	3580	4172	4803	5452	6111	6765	7373	8041	8684	9348	10029	10685	11326	12024	12710	13295	13950	14627	15325	15918	16595	17263	17941	18591	19263	19883
421	1009	1659	2220	2966	3583	4175	4809	5457	6117	6766	7382	8048	8689	9353	10031	10686	11329	12026	12717	13300	13953	14630	15332	15924	16601	17265	17945	18596	19275	19888
422	1010	1663	2221	2977	3585	4177	4811	5459	6129	6775	7386	8050	8691	9354	10035	10691	11335	12027	12718	13301	13955	14639	15333	15930	16603	17271	17947	18603	19276	19893
425	1012	1664	2223	2982	3586	4186	4817	5462	6130	6776	7388	8052	8692	9358	10036	10693	11345	12028	12720	13309	13965	14654	15336	15931	16605	17281	17949	18608	19279	19899
427	1017	1670	2235	2988	3593	4187	4823	5464	6136	6788	7389	8056	8695	9359	10043	10695	11347	12036	12721	13314	13972	14657	15340	15948	16609	17283	17950	18610	19280	19905
429	1019	1673	2238	2990	3594	4188	4824	5467	6140	6790	7392	8057	8696	9364	10044	10696	11357	12043	12726	13315	13973	14660	15341	15949	16613	17285	17956	18619	19285	19917
432	1020	1675	2243	2992	3598	4190	4825	5474	6141	6796	7398	8058	8697	9368	10046	10700	11358	12045	12729	13316	13976	14662	15343	15952	16621	17287	17963	18621	19306	19920
437	1022	1676	2252	3001	3601	4193	4827	5475	6144	6802	7403	8059	8705	9371	10047	10704	11364	12049	12730	13319	13983	14666	15348	15960	16622	17289	17970	18628	19308	19926
445	1023	1680	2253	3005	3609	4194	4832	5481	6145	6812	7404	8061	8709	9377	10050	10712	11365	12051	12732	13320	13985	14668	15350	15963	16623	17290	17971	18630	19309	19935
446	1024	1687	2255	3006	3610	4195	4833	5482	6149	6815	7407	8063	8710	9379	10052	10714	11368	12054	12734	13321	13986	14673	15353	15971	16627	17306	17974	18633	19311	19938
450	1028	1690	2261	3007	3613	4199	4847	5491	6164	6816	7408	8064	8711	9398	10053	10719	11369	12055	12749	13328	13988	14674	15367	15985	16629	17308	17980	18634	19312	19941
452	1031	1696	2268	3012	3618	4201	4849	5493	6165	6819	7409	8068	8712	9399	10062	10720	11371	12059	12759	13333	13992	14676	15371	15986	16633	17312	17981	18639	19315	19943
463	1032	1697	2269	3015	3620	4204	4854	5499	6167	6823	7418	8071	8713	9400	10070	10722	11379	12065	12760	13337	13993	14683	15378	15987	16637	17315	17983	18643	19317	19950
464	1033	1700	2274	3016	3625	4207	4855	5502	6168	6825	7420	8072	8718	9403	10074	10726	11380	12066	12762	13339	13996	14684	15379	15988	16653	17317	17997	18644	19321	19961
471	1034	1702	2280	3019	3627	4210	4861	5508	6174	6827	7429	8078	8720	9405	10079	10727	11384	12068	12772	13344	14007	14686	15380	15989	16654	17325	18001	18646	19322	19965
473	1039	1709	2286	3024	3628	4217	4862	5514	6179	6828	7431	8096	8721	9413	10095	10728	11385	12073	12775	13347	14009	14693	15381	15991	16655	17327	18005	18650	19324	19967
474	1041	1713	2296	3029	3632	4220	4867	5521	6180	6833	7432	8098	8722	9417	10098	10736	11387	12074	12776	13349	14011	14696	15383	15992	16656	17341	18006	18657	19325	19971
475	1046	1714	2299	3033	3635	4222	4869	5527	6187	6839	7450	8105	8734	9420	10105	10737	11389	12075	12778	13359	14013	14706	15389	15995	16671	17342	18007	18658	19327	19972
477	1048	1723	2305	3043	3639	4230	4870	5530	6188	6845	7458	8109	8739	9421	10111	10740	11392	12079	12780	13360	14015	14707	15400	15998	16674	17344	18008	18661	19329	19975
478	1054	1726	2308	3056	3641	4237	4872	5544	6189	6847	7459	8110	8741	9427	10113	10744	11401	12081	12782	13369	14016	14712	15401	16001	16683	17351	18010	18663	19331	19981
482	1055	1737	2318	3068	3653	4247	4874	5547	6190	6850	7470	8114	8747	9429	10122	10750	11403	12090	12785	13371	14017	14722	15408	16003	16684	17357	18011	18675	19333	19983
486	1058	1742	2319	3079	3654	4253	4878	5549	6191	6856	7475	8122	8749	9436	10124	10754	11404	12097	12786	13373	14021	14723	15412	16009	16685	17361	18016	18683	19340	19986
489	1069	1745	2327	3084	3671	4254	4879	5550	6193	6859	7476	8130	8752	9438	10127	10767	11406	12104	12787	13385	14027	14726	15413	16020	16687	17363	18018	18694	19341	19988
492	1072	1746	2330	3086	3674	4259	4881	5551	6201	6863	7477	8133	8756	9441	10137	10769	11412	12105	12788	13388	14028	14728	15416	16026	16688	17364	18029	18695	19342	19989
496	1073	1747	2331	3088	3677	4260	4888	5554	6203	6864	7479	8135	8761	9448	10140	10775	11418	12112	12791	13393	14032	14729	15417	16028	16698	17365	18037	18697	19343	19990
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

On the 10th January 1986, the said redemption price will become due and payable upon each Note to be redeemed, together with accrued interest from 20th February 1985 to 10th January 1986 amounting to US$ 550.00 per US$ 5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 10th January 1986 upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of any of the Paying Agents mentioned thereon.

Bankers Trust Company, London
Principal Paying Agent

11th December 1985

Company Notices

SELECTED RISK INVESTMENTS

Société Anonyme
Registered Office: 10, boulevard Roosevelt
Boite Postale 408
L-2014 Luxembourg
R.C. Luxembourg B.6317

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

An Extraordinary General Meeting of shareholders of Selected Risk Investments S.A. will be held at its registered office at 10 boulevard Roosevelt, Luxembourg, at 11 a.m. on 19th December 1985, for the purpose of considering and voting upon the following matters.

Agenda

1. To resolve that the Company's name is changed to MERCURY SELECTED TRUST
2. To resolve that the Company is converted into Société d'Investissment a capital variable—SICAV.
3. To resolve that the Company's purpose and structure is changed to convert it to an investment company capable of issuing separate classes of shares each class to be linked to a separate portfolio of investments designated by reference to its particular area or type of investment, and to provide for the conversion of shares of one class into shares of another class.
4. To resolve that the Company's life is extended so that it expires on 18th December 2019.
5. To resolve that new Articles of Association are adopted to give effect to the foregoing resolutions and to make other changes.
6. To resolve that the foregoing resolutions will come into effect three months after the date on which the last of them is duly passed or on such earlier date as a new prospectus of the Company is issued in Luxembourg.
7. To confirm the appointment in accordance with Article 9 of the Statutes of the Company of Mr. Peter Stormonth Darling as a Director of the Company.
8. To elect Mr. William F. Waters as a Director of the Company.
9. To increase the Directors' remuneration.

Each of the foregoing resolutions numbered 1 to 6 will be proposed on the basis that it shall be conditional upon each of the other resolutions numbered 1 to 6 of this Agenda being duly passed so that each of the said resolutions shall be duly passed only if all of the said resolutions are duly passed.

Voting

Resolutions numbered 1 to 6 on the Agenda require a majority of two-thirds of the votes of the shareholders present or represented at the Meeting. Resolutions numbered 7 to 9 on the Agenda require a simple majority. There is no minimum quorum requirement for the passing of any of these resolutions which may be passed irrespective of the proportion of the Company's issued shares represented at the Meeting.

Voting arrangements

In order to vote at the meeting:
— the holders of bearer shares must deposit their shares not later than 13th December 1985 either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relative deposit receipts (which may be obtained from the registered office of the Company stated above) must be forwarded to the registered office of the Company to arrive not later than 17th December, 1985. The shares so deposited will remain blocked until the day after the Meeting;
— the holders of registered shares need not deposit their certificates but must be present in person or represented by a duly appointed proxy;
— shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the Registered office of the Company stated above to arrive not later than 13th December, 1985; proxy forms will be sent to the registered shareholders with a copy of this Notice and can be obtained from the registered office.

Information for shareholders

Shareholders are advised that —
(1) a copy of the Report by the Board of Directors to Shareholders concerning the proposals; and
(2) a draft (subject to modification) of the new Articles of Association of the Company referred to in Resolution 5 on the Agenda; and
(3) drafts (subject to modification) of the proposed new Management, Investment Advisory, Custodian, Domiciliary Agent and Registrar, Sub-Registrar and Paying Agency Agreements referred to in the Report by the Board; and
(4) a copy of the letter for shareholders with registered addresses in the United Kingdom on taxation matters, referred to in the Report by the Board

are available for inspection at the registered office of the Company and at the following places:

Banque Internationale à Luxembourg S.A., 2 boulevard Royal, LUXEMBOURG.
Bayerische Vereinsbank, Kardinal Faulhaber Strasse 14, 8 MUNCHEN 1.
Berliner Commerzbank AG, 125 Potsdamer Strasse, 1 BERLIN 30.
Commerzbank AG, FRANKFURT/MAIN, DUSSELDORF, HAMBURG.
Creditanstalt-Bankverein, 6 Schottengasse, 1010 WIEN 1.
Crédit Lyonnais S.A., 26a boulevard Royal, LUXEMBOURG.
CSFB Effectenbank AG, 30 Kaiserstrasse, 6 FRANKFURT/MAIN.
S. G. Warburg & Co. Ltd., 33 King William Street, LONDON EC4R 9AS.

Shareholders are also advised that the proposals involve changes to the charging structure of the Company, particulars of which are contained in the Report by the Board of Directors to Shareholders.

The Board of Directors expects that the new prospectus of the Company will be issued in Luxembourg on Tuesday, 31st December, 1985.

THE BOARD OF DIRECTORS

2nd December, 1985.

UK COMPANY NEWS

Alan Pike on a survey which found ignorance and complacency among managers over training

Taking training out of the closet into the boardroom

MR BRYAN NICHOLSON, chairman of the Manpower Services *Commission*, told a conference audience last week that during 30 years in a business career he had come to respect and admire the quality of management in the UK.

"But its record of training for adult employees is, not to put too fine a point on it, lousy."

The word lousy does not appear in a report on UK management's attitude towards *investment* in training produced yesterday for Mr Nicholson's MSC and the National Economic Development Office. It speaks, in a style more in the tradition of such documents, of uphill tasks, complacancy and widespread ignorance. The message, not to put too fine a point on it, is the same.

Things will alter only when there is a major change of attitude among employees

For several years, the Government, MSC and Nedo have been seeking ways of elevating industrial training to the importance which it enjoys in competitor countries like West Germany, the US and Japan.

The evidence is well catalogued. UK companies, according to another recent MSC survey, spend an average of 0.15 per cent of their sales turnover on adult training—£200 a year per employee. Expenditure of 2 or 3 per cent is common in many overseas competitors.

The new report, prepared by Coopers and Lybrand Associates, management consultants, concludes, like others before it, *that things will improve only* when there is a major changa of attitude among UK employers.

This is where the uphill struggle begins. Few employees, the report demonstrates, regard training as a main component in corporate strategy.

Most of those interviewed agreed that Britain undertrains compared with its main competitors. But they believed the amount of training they themselves did was about right.

This lack of concern, say the researchers, might reflect confidence. "We think it would be more realistic to regard it as reflecting complacency."

The report makes a series of recommendations aimed at improving the UK's training performance. At least as valuable, however, is the description it provides of attitudes towards training amoog *senior managers*.

Ignorance among them about how their company's training performance compared with that of competitors, either in the UK or overseas, was widespread. Indeed, a high proportion of senior executives had only a limited knowledge of what resources were devoted to training in their own companies.

In most companies, with the exception of some in the service sector which rely heavily *on* customer-staff contact, training was not seen as a prima contributor to competitiveness.

The report reinforces previous research studies in highlighting wide differeoces between what UK managers say about training and what they actually do. Almost all the companies interviewed claimed at tha outset that training was very important to them. But in the majority it was not treated as a matter requiring attention at board level.

"About *half* the *companies* we contacted explained that there would be little poiot in our talking to the chief executive as he was not involved," says the report.

The picture is one of training being delegated, or relegated, to comparatively low-status departments and managers. While boards of directors may produce high-sounding policy statements, short-term profit horizons deter investmeot in expensive types of training like engineering apprenticeships for which the pay-back is *spread* over several years.

"The result, in terms of skill shortages, will not be felt for several years and then it will be the next tranche of managers who reap the barvest of their predecessors' decisions."

Few UK companies appear to see training as an investment. It is more likely to be regarded as an overhead which can be reduced at times of financial pressure. This contrasts with increased expenditure on training in West Germany and Japan *during the recession*.

Many companies surveyed were not aware of bow much they spend on training and, the report implies, this may sometimes be just as well. "More than a few of the training managers and personnel directors we interviewed told us that it was better that the full costs or their firm's training should not be made known to the board because, if it were, the board might wish to reduce it—a comment which speaks volumes about the perceived attitudes of top managers to training."

In the view of the researchers, factors like fear of trained employees being poached by other companies and high trainee wage rates have relatively little influence on training decisions. They were quoted to reinforce already negative attitudes to training, and it was doubtful whether chances in such factors would produce a corresponding change in behaviour towards training by British companies.

The report suggests that capital expenditure on training should qualify for tax relief in the year of expenditure. But beyond this the use of tax incentives to encourage a higher volume of training "is by no means as feasible as it might first appear," because training costs, other than capital expenditure, are already an allowable deduction in arriving at taxable profits.

It will not be easy, the report says, to persuade UK employers to invest more in training. But managers will, the authors hope, be willing to invest funds if they are convinced that they can get better performance from a given level of expenditure. One of the key initial aims is to make training a board-level issue.

Some of the proposals which the report makes are of a public relations variety, designed to encourage or embarrass senior managers into taking training more seriously — a Queen's Award for Training and a proposal that companies should be required to detail training activities in their annual reports.

But the report recognises that employers have to be more involved than this. It wants an enhanced grant-based programme to encourage greater activity in adult training, similar to the financial incentives which companies receive for running tha Youth Training Scheme.

YTS demonstrates that it is possible to generate action on training, although the research finds that many companies have taken part out of a sense of social responsibility, or to avoid adverse public comment, rather than from a belief that the scheme is good for business.

Many of the improvements called for in the report would come at local labour market level. It repeats demands for improved links between employers and colleges, and stresses the need for employer-led local bodies which would monitor training activity, collect information about local training needs, organise skill testing and distribute some MSC grants.

In West Germany much of this work is carried out by chambers of commerce. Under the Job Training Partnership Act in the US a network of private industry councils has been set up in the past two years. The councils distribute funds to redundant and unemployed workers and are involved in assessing local skill and training requirements. There may be a model here, suggests the report, for the UK to adopt.

One of the key initial aims is to turn training into a board-level issue

"We are convinced that for a *network of local bodies to* exert effective pressure on employers, the bodies must be employer-led."

Another idea borrowed from the US which the report believes should be examined for possible introduction in the UK is the individual training credit (known in the US as the individual training account). It would operate like an occupational pension scheme, with employers and employees each contributing *funds* which could be cashed in as training for the individual.

In the US, employees can use the credits only if they become redundant. The report envisages a more extensive scheme in the UK. A national, statutory Individual Training Credit system, it *suggests*, would be the most effective course for the Government to take if appeals for voluntary endeavour fail and legislation is needed to force UK employers to take training more seriously.

A Challenge to Complacency, Manpower Services Commission, Moorfoot, Sheffield S1 4PQ; £2.50.

Bryan Nicholson: condemned UK record as lousy

WHAT THE REPORT RECOMMENDS

IDEAS *which the report* **recommends should be implemented or examined include:**

- **Introducing a Queen's Award for Training, similar to the awards for Export Achievement and Technological Achievement;**
- **Amending the Companies Act so that employers would be required to divulge information about training activities in annual reports;**
- **Permitting all capital expenditure for training purposes to qualify for tax relief in the year of expenditure, along the lines of allowances for scientific research;**
- *Channelling MSC resources* to help retrain unemployed adults through employers;
- Setting up local networks of employer-led bodies to monitor training, collect information about the local labour market and training needs, organise skill testing and distribute some MSC grants;
- Introducing a system of Individual Training Credits, accompanied by tax incentives, *to encourage individual* employees to seek access to re-training;
- Reviewing the funding of further education colleges and developing links between particular college departments and their potential clients in local industry;
- Seeking a Government lead for the development of a new comprehensive structure of certification and qualifications for vocational training;
- Preparing a series of well-researched case studies to demonstrate to companies the value of training;
- Stressing the importance of training in management *courses* at *business schools* and similar institutions;
- Considering the introduction of a statutory requirement to provide training for those made redundant and for the under-18s.

Contracts and Tenders

Thames Water

MOGDEN POWER HOUSE REHABILITATION SCHEME NO. 5992

NOTICE OF PREQUALIFICATION TO TENDER FOR PRINCIPAL PLANT CONTRACTOR

The Thames Water Authority of the United Kingdom plans to invite tenders early in 1986 from pre-qualified principal plant contractors for the rehabilitation of the power house plant at Mogden Sewage Works, Isleworth, Middlesex. The tenders will call for the detailed design, supply, erection and commissioning of new machines and equipment and the modification or removal of other existing machines and equipment. The Contract is to include the supply and installation of four x 2 MW dual fuel engine driven AC generators, with waste heat recovery boilers, two auxiliary gas/oil fired hot water boilers and six x 850 kW AC motor driven centrifugal type low pressure air blowers and ancillary plant. All plant is to be arranged for automatic control and monitoring. The Contract shall include the conversion of some retained items of plant from manual to automatic control, the replacement of some existing heat recovery and cooling tanks and pipework systems and the removal of redundant plant.

The Contractor will be required to co-ordinate with a separately appointed Civil Engineering Contractor. The Plant Contractor may if he wishes, seek the opportunity of tendering for the Civil Works element of the scheme.

The existing electrical power generation and standby supply is D.C. The Contract shall include a staged conversion of the electrical plant in the power house complex from D.C. to A.C.

Contractors who have extensive experience in similar works and who wish to pre-qualify to tender for the Contract should submit their applications to tender to reach the Thames Water Authority Contract and Services Group by early January 1986. Principal plant contractors may include manufacturers of major items of plant suitable for this project. Pre-qualification is restricted to Contractors domiciled in the European Economic Community.

All applications to pre-qualify must be made in pre-qualification application documents which have been prepared for the Thames Water Authority and may be obtained, on payment of a non refundable fee of £30 to the Thames Water Authority, at the address given below. Such applications should be clearly endorsed "Request for Pre-qualification Application Documents, Mogden Power House Rehabilitation, – Scheme No. 5992."

The pre-qualification application documents, which include a description of the Contract, will be available during December 1985. Completed applications to pre-qualify should be returned by 13th February 1986. Thames Water Authority do not bind themselves to accept all or any application for inclusion on the restricted list nor to give reasons for rejection.

Thames Water Authority do not bind themselves to accept the lowest or any tender and will not be responsible for any costs incurred in visiting the site or in preparation of tenders or in preparation of submissions to pre-qualify to tender.

Tender Pre-qualification Documents are obtainable from:

Thames Water, Technology and Development, Contracts and Services Manager, Nugent House, Vastern Road, Reading, Berkshire, RG1 8DB.

RUNNING WATER FOR YOU

SYRIAN ARAB REPUBLIC

ETABLISSEMENT PUBLIC DES EAUX DE FIGEH
DAMASCUS WATER SUPPLY ESTABLISHMENT
El Nassr Street, Damascus, Syria

NOTICE No. 9027

PREQUALIFICATION FOR THE PROVISION OF AN AUTOMATIC TELEPHONE NETWORK

The Etablissement Public des Eaux de Figeh, Damascus Water Supply Establishment, hereby invites applications from firms specialised in Private Automatic Telephone Branch Exchange Networks for the supply, installation and handing over on turn-key basis of a private telephone network which serves all the Establishment stations and centres in Greater Damascus.

It is anticipated that the foreign currency component of the Project's cost would be provided through a loan from AFSED, The Arab Fund for Social and Economic Development.

Prequalification questionnaires may be obtained by application in writing or telex to:

Major Projects Division
Etablissement Public des Eaux de Figeh
El Nassr Street
Damascus, SYRIA
Telex No. 411312 SY, FIGDAM

Completed forms and attachments must reach EPEF at the above address *not later than 15 February 1986.*

Following the evaluation of submissions, EPEF will indicate the firms that will be invited to participate in tendering and to which the bidding documents will be eventually forwarded.

Engineer Rida MOURTADA
President/Director General

ARAB ENGINEERING INDUSTRIES COMPANY

IRON FOUNDRY PROJECT
JORDAN

GENERAL PROCUREMENT NOTICE

The Arab Engineering Industries Company is planning to build a new iron foundry with an initial production capacity of 10000 tonnes per annum. Products will include pipe fittings in ductile and malleable iron as well as general engineering castings in both grey and ductile iron.

All the necessary plant and equipment *to provide a fully operable foundry will* be purchased through international competitive bidding. Manufacturers will be expected to bid for the supply and erection of equipment in the form of complete packages.

THESE PACKAGES WILL COMPRISE:-

1. Stockyard and Melting.
2. Greensand Moulding and Sand Plant (High Pressure).
3. Malleable Castings Manufacture.
4. Chemically Bonded Moulding and Coremaking.
5. Shell Coremaking.
6. Cleaning and Finishing.
7. Overhead Cranes.
8. Dust and Fume Extraction.
9. Patterns and Coreboxes.
10. Buildings and Services.

Manufacturers who wish to participate in bidding for the supply and erection of any of the above packages should apply in writing, within one month of the date of this publication, for information concerning prequalification procedures from:-

Arab Engineering Industries Company, PO Box 141101, Tel: 819101, Tlx: 23870, Amman, Jordan.

GENERAL MANAGER
ENG. ALI OBEIDAT

Company Notices

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS AND CAPITAL REPAYMENT

The following interim dividends/capital repayment have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 24 December 1985:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Capital Repayment No.	Amount per share (cents)
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	6		20
Doornfontein Gold Mining Company Limited (Registration No. 05/24709/06)	58		110
Driefontein Consolidated Limited (Registration No. 68/04880/06)	25		145
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	32		55
Libanon Gold Mining Company Limited (Registration No. 05/08381/06)	70		170
Venterspost Gold Mining Company Limited (Registration No. 05/05632/06)	91		50
Vlakfontein Gold Mining Company Limited* (Registration No. 05/06156/06)		6	15

* Capital repayment in lieu of dividend

Warrants will be posted on or about 11 February 1986.

Standard conditions relating to the payment of dividends and conditions relating to the capital repayment are obtainable at the share transfer offices and the London Office of the companies.

Requests for payment of the dividends or the repayment of capital in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 24 December 1985 in accordance with the abovementioned conditions.

The registers of members of the above companies will be closed from 27 December 1985 to 3 January 1986, inclusive.

By order of the boards
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G. M. A. Gledhill, Secretary
United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

London Office:
31 Charles II Street
St James's Square
London SW1Y 4AG
10 December 1985

Legal Notices

No. 007071 of 1985
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
BROWN & JACKSON PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated 18th November 1985 confirming the reduction of the Share Premium Account of the above-named Company from £2,949,158.92 to £641,916.47 was registered by the Registrar of Companies on 28th November 1985.

Dated this 6th day of December 1985.
CLIFFORD-TURNER,
Blackfriars House,
19 New Bridge Street,
London EC4V 6BY.
Solicitors for the above-named Company.

هكذا من الأصل

FT COMMERCIAL LAW REPORTS

Compensation for disturbance unaffected by development grant

PALATINE GRAPHIC ARTS CO LTD v LIVERPOOL CITY COUNCIL

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice May and Lord Justice Glidewell): Nevember 29 1985

REGIONAL DEVELOPMENT grant paid to a company as an incentive to relocate in a particular area after its premises have been acquired by the council, is not deductible from compensation payable to the company by the council for disturbance caused by the acquisition.

The Court of Appeal so held when dismissing the Liverpool City Council's appeal from a decision hy the Lands Trihunal (Mr C. R. Mallett) *that regional* development grant should not be deducted from disturbance compensatien payahle to Palatine Graphic Arts Co Ltd.

* * *

LORD JUSTICE GLIDEWELL said that Palatine was leng-estahlished as a printer, specialising in high quality printing of labels and packaging.

Until 1980 it occupied a factory near the centre of Liverpool. It used machines of considerable value and the process necessitated special equipment.

The city council desired to acquire the premises for redevelopment. It could have used powers ef compulsory purchase. However, it was agreed thet Palatine should sell its leasehold interest to the council at a price equivalent to the compensation which would have been payable on compulsory purchase.

Te carry on business Palatine needed alternative premises,

It used two printing processes, letterpress and offset lithe. By 1980 the offset llthe demineted. That had led to staff difficulties in the Liverpool area, said te be partly due to the ettitude of local trade uniens. It would have eased custemer and staff prohlems to relocate the business in Manchester or elsewhere.

Against that was the advantage of staying in Liverpool, which was e special development area for the purpose of regional develepment grants.

Palatine decided to retain its business in Liverpool at a purpose-built factory in Fox Street. It spent £250,000 on the basic shell, £200,000 en fitting out, and about £500,000 on plant and machinery. All or most of those expenditures qualified for a regional development grant of 22 per cent.

The move te Fox Street was completed on July 1 1980.

It had long been accepted law that the owner of an interest in land which was compulsorily acquired was entitled to be compensated fer the value of his interest and for any loss he might suffer as a result of being dispossessed.

That latter categery was compendiously called "compensation fer disturbance." It embraced, among other matters, *the cost of removal* to new premises and loss of profits. The right to compensation for disturbance not deriving from statute, had been preserved by statute (see Land Compensatioe Act 1961, section 5, rule 6).

The epen market valne of the land and the disturbance compensatien were assessed separately, hut the sums were aggregated and the total was the price at which the land was conveyed to the acquiring authority (see *Horn* n *Sunderland [1941] 2 KB 26).*

In the present case almost the whole of the price consisted of compensation for disturbance. The value of Palatine's interest in the leasehold was £5. Various items of disturbance were agreed at £83,324. The dispute centred round the remaining items. In *order to equip the new premises* Palatine carried on various works at e total cost of £102,748 which, it was agreed, properly fell within "disturbance."

However, the council argued that it was not obliged to pay the whele sum since, in respect ef that expenditure, Palatine bad received e regional development grant of £22,605.

The council sought to dedoct that sum from the compensation it was otherwise liable to pay.

The *Lands Tribunal found in* faveur of Palatine; hence the present eppeal.

Mr Kershaw, for the council, relied on *Horn v Sutherland [1941] 2 KB 48, 49* where Lord Justice Scott said that on a compulsory sale "statutory compensation cannot, and must not exceed the owner's total loss, for if it does it will put an unfair burden en the public authority."

Mr Kershaw submitted that if Palatine received the whole cost of carrying out the necessary works as disturbance compensation, and the £22,605 as regional development grant, it would have been paid more than its loss.

Mr Gilbart, for Palatine, argued that compensation for compulsory purchase, including disturbance, was to be assessed on the same hasis as damages et common law.

He said the basis en which damages would be *assessed* for a trespass which deprived the landowner of his property permanently provided the test for assessment of compensation.

That submission was correct. In *Ricketts* n *Metropolitan Railway Company (1865) 34 LJQB 57, 261*, Chief Justice Earle said: "The principle of compensation . . . is the same as in trespass for expulsion."

Although that was strictly *obiter dictum*, it had been generally *followed* and applied.

Mr Kershaw submitted that even if the principles were the same as for damages, compensation ought to be assessed after deduction of regional development grant, on the same basis as loss of feture earnings in a personal injury case was assessed after deduction of tax.

Mr Gilbart replied that the taxation cases were concerned with deciding what was the true loss suffered. That was distinct from the present situation in which Palatine, following the compulsory purchase, had received an additional payment from another source.

In *Parry* n *Cleaver [1970] AC I*, a personal injuries action, the House of Lords rejected an argument that the plaintiff's pension should be deducted from his loss of earnings in assessing damages.

Lord Reid based his decision that the pension was not deductible *on two reasons: (i)* because deduction would be contrary to public policy; and (ii) because the pension moneys and earnings lost were intrinsically different.

Both reasons applied in the present case.

On the facts found, the prospect of obtaining regional development grant was an important inducemeot to Palatine to relocate in Liverpool, rather than moving elsewhere. To the extent pect of obtaining regional development grant was an important from its compensation, that inducement would be lessened.

That *seemed* to be *contrary* to the policy of assisting develorment areas of which regional development grant was part.

Secondly, loss caused hy disturbance on compulsory purchase and payment of the grant were different in kind. The loss on disturbance flewed from the fact that Palatine had been *forced* to *give up occupation* of premises as a result of ecquisition of its interest. The regional development grant was paid in respect ef part ef the expenditure *incurred* when *moving* into new premises.

Fer both those reasons the Lands Tribunal's decision was correct. Compensation foc disturbance should be assessed without any deduction in respect ef the payment of regional development grant.

The appeal should be dismissed.

SIR JOHN DONALDSON, agreeing, said that *Horn's* case decided ne more than that there should net be ever-compensation.

In the present and *similar* cases (i) the person whose land was compulsorily acquired incurred disturbance expenditure in re-establishing his business; *(ii) other things being equal* that expenditure was the same wherever he incurred it; (iii) that expenditure was *prima facie* the measure of his disturbance loss; and (iv) his disturbance loss was not reduced if be chose to incur the disturbance expenditure in a particular area and was rewarded—not compensated—for deing so by the receipt ef an incentive payment in the ferm of regional development grant.

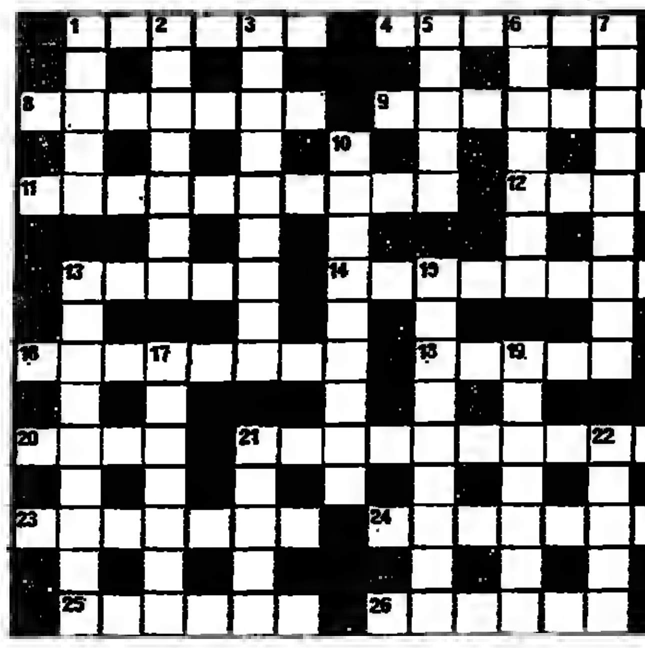
Lord Justice May agreed with both judgments.

For the council: Michael Kershaw QC and Jane Tracy Forster (W. I. Murray, Liverpool).

For Palatine: Andrew Gilbart (Laces and Co., Manchester).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,896

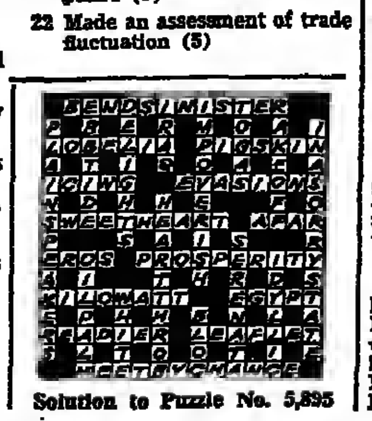


ACROSS

1 Took a seat with some displeasure and sarcastic wit (6)
4 Like a little money? A rise is what's needed! (6)
8 Stony, but in great form (7)
9 Few cut a figure (7)
11 Un-made-up? (10)
12 The entertainer from America who stole the show (4)
13 A hot meal (5)
14 " . . . , the soldier's virtue." Shakespeare (Antony and Cleopatra) (8)
16 Complete breakdown of neat girl (8)
18 Exact due (5)
20 Far-reaching desire (4)
21 The twister only offered water (10)
23 Song about an unsavoury character in Greece (7)
24 Gnarled root—it's used as food (7)
25 One following another team? (6)
26 A swinish trait that's generally accepted (6)

DOWN

1 Russian sounds swell! (5)
2 Traditional oven to include as well as the alternative (7)
3 Heuseholder having a peer try a new contraption (9)
5 Urge parking with children around (5)
6 Looks over-heated, as far as one can see (7)
7 Convey delight (9)
10 Alsatians worried the attacker (9)
13 Meeting to study progress (9)
15 It's tiresome about the German being on edge (9)
17 Print a letter with serious results (7)
19 Yellow quagmire filling the quarry (7)
21 Given little quarter, so quite pallid (5)
22 Made an assessment of trade fluctuation (5)



Solution to Puzzle No. 5,895

APPOINTMENTS

New chairman for Electrocomponents

At ELECTROCOMPONENTS, Mr R. A. Marler, chairman, will retire on March 17. His successor will be Mr A. G. T. Chubb, deputy chairman of the company and managing director of Foseco Minsep. Mr Chubh jeined the board of Electrocomponents as a oon-executive director in 1980, becoming deputy chairman in 1983.

*

Mr Alan Johnsen has been appointed managing director of a new company, FUNDAMENTAL AND MARSHALL BROKERS. This company is a joint venture between Fundamental Brokers Inc ef New York and M. W. Marshall, the international money brokers. The company will serve the UK primary dealers when the new licences to deal in gilts come into effect in October next year. Mr Johnson was fermerly with stockbrokers Wood Mackenzie.

*

JOHN POLAND AND CO has appointed Mr Trevor Bradley as an additional director. He is the underwriter of engineering syndicate Ne. 767 which is managed by the company.

*

Following the retirement of Sir Ceanydd Traherne as chairman ef the CARDIFF BUILDING SOCIETY, Mr A. V. Marment, vice chairman, has been appointed chairman. The manager ef the society, Mr K. R. Nokes, has been appointed a director and secretary and continues as manager. As secretary, he succeeds Mr J. H. Seel who is appointed managing director.

*

Mr Brian C. Shearing has been appointed *marketing director* of GEOFFREY MORLEY AND PARTNERS. He was previeusly in charge of the managed funds sales unit at Equity and Law. Mr Brian C. O'Sullivan has been appointed e director.

*

Mr James McAdam has been appointed chief executive of *COATS PATONS in succession* to Sir William Coats who continues as non-executive chairman. Sir William intends to retire from the board at the end of *the next annual meeting.* Mr Michael Bell becomes deputy chief executive and Mr John Heuston has been made finance director. Mr Nicholas Kuenssberg *also joins the board* as an executive director. Mr William Thomson and Sir James Cleminson will be joining the board in a non-executive capacity. Mr Themson is a group managing director of the Royal Dutch Shell Group and Sir James is chairman of Reckitt and Colman and president of the Confederation of British Industry.

*

Sir Alastair Pilkington has been appointed a director of the London subsidiary ef BANQUE NATIONALE DE PARIS.

*

ROYAL BRIERLEY CRYSTAL has anppointed Mr Richard L. Harris as its chairman. He succeeds Col Reginald Williams-Thomas, who has retired. Mr Harris, who jointed Royal Brierley's board ef directors two years ago, is a partner with Birmingham stockbrokers Harris, Allday, Lea andBrooks.

*

PRITCHARD SERVICES, the principal UK trading company within Pritchard Services Group, has appointed Mr David Openshaw as commercial director. He was divisional director for the sotuhern division of Pritchard Services.

*

ROBERT FRASER FINANCIAL MANAGEMENT has appointed Mr Brian Morel and Mr Robin Cowlishaw directers.

*

HOLIDAY INNS, INC, has appointed Mr Peter Gee vice president development Europe, Middle East and Africa. Mr Gee, who was previously vice persident development Europe, will continue to he based at the group's European headquarters in Brentford, Middlesex.

*

SAMUEL MONTAGU has made Mr Douglas Bull, Mr Royan Ellis, Mr John Evangelides, Mr Stanley Hurn, Miss Irene Leibowitz and Mr Peter Williams executive directors.

*

Mr Harry Partridge has been appointed executive chairman of CAVIAPEN INVESTMENTS. He will leave the Civil Aviation Authority, where he has been responsible fer finance since its inception, at the end of the year.

*

KLEENEZE HOLDINGS has appointed two directors to its demestic company, Kleeneze Limited. They are marketing director Mr Keith Pietts and Mr Tom Davies, sales director.

*

Mr Ron Ward has been appointed general manager ef DIAMOND FERTILISER AND CHEMICAL COMPANY. He was senior accountant with Norsk Hydro Fertilisers.

*

LEP GROUP has made eight appointements to the board of its principal UK freight forwarding subsidiary — LEP International. The new board comprises Mr Peter Kirkhy, Mr Keith Studer, Mr Keith Dear, Mr Ken Barnes, Mr Geoff Lockwood, Mr *Charlie Ramsay*, Mr Derek Vickers, Mr Jack Wasn, Mr Tom White and Mr Alan Wyat.

*

Mr John F. Craig has been appointed to sueceed Mr Owen Rees as bead of the WELSH OFFICE INDUSTRY DEPARTMENT. Mr Rees has been promoted to under secretary responsible for economic and regional policy, in succession to Mr John Annand, who recently retired.

*

THE UNITED PROPERTY UNIT TRUST has appointed Mr Dennis Marler to the committee of management. He is chairman of Capital and Counties.

*

GTE SYLVANIA has eppointed Mr David Powell as finance directer. He will be based at the UK headquarters in Shipley, West Yorkshire. He joined the GTE Corporation internal audit department hased in Brussels in 1981, as audit manager.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE   Dlg. 01-236 3885

International Growth	101.9	103.5	+0.6	1.30
Income & Growth	45.9	49.0	-0.1	2.8
Special Situations	57.4	60.8	-0.3	1.20
American Growth	27.7	29.5	+0.1	1.50
Japan Growth	34.9	37.1	-0.7	—
European Growth	44.2	47.3	+0.2	2.50
UK Growth	41.9	47.0	-0.2	1.4
Pacific Growth	32.5	34.8	+0.5	2.0
High Income	29.2	31.8	-0.1	7.6
Practical Income Units	43.7	46.5		2.70
Practical Accum. Units	78.6	83.7		2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB   01-405 8441

Pearl Growth Fd	69.1	73.4	+0.1	2.90
Accum Units	102.2	108.7	+0.1	2.90
Pearl Inc.	94.9	101.0		4.89
Pearl Unit Tst.	100.7	107.1		3.85
(Accum. Units)	172.5	183.5	+0.1	3.85
Pearl Intl Equity	95.5	101.6	+2.1	1.97
(Accum Units)	95.5	101.6	+2.1	1.97

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames   0491 576868

International Growth	208.4	223.7	+3.1	1.45
Income	151.0	161.7	-0.2	5.38
Worldwide Recovery	117.2	125.8	-1.4	2.16
American Growth	59.7	64.1	-1.2	1.00
Intl. Emerging Co.	62.1	67.3	-0.6	0.14
Far East Growth Fd	52.3	56.2	-1.0	1.16

Prolific Unit Trusts
222 Bishopsgate, London EC2   01-247 1544/7

Prolific American Inc	49.1	52.3	+0.4	5.08
Prolific Far East	111.6	118.7	+3.4	0.24
Prolific Extra Inc	66.6	70.6	-0.3	5.73
Prolific Convert & Gilt	83.2	88.2	-0.3	7.14
Prolific High Inc.	140.0	149.3	-0.6	5.09
Prolific Intl	89.0	94.7	+1.1	1.65
Prolific N. Amer.	117.1	125.6	+1.2	2.12
Prolific Spec. Sits	154.9	164.3	-1.7	1.46
Prolific Technology	102.1	109.3	+1.1	0.63

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road London W12 8PG   01-749 9111

Japan Inc	53.2	56.4	+1.0	0.19
Japan Acc	53.3	56.5	+1.0	0.19
Worldwide Inc.	53.8	57.0	+0.4	1.81
Worldwide Acc.	54.4	57.6	+0.4	1.81
European Tst Inc	63.0	66.7	+0.1	1.19
European Tst Acc	63.3	67.0	+0.2	1.34
North American Inc	50.3	53.3	+1.3	1.98
North American Acc	50.3	53.3	+1.3	1.98
UK Equity Inc	54.4	57.6	-0.1	2.92

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU   01-606 6010

American Growth Acc.	24.3	25.4	+0.8	1.9
American Income Acc.	24.6	26.2	+0.6	4.8
American Income Inc.	24.6	26.2	+0.6	4.8
European Growth Acc.	34.9	37.1	+0.3	2.4
Far East Growth Acc.	27.8	28.7	+0.7	0.9
Int. Growth Acc.	25.8	27.4	+0.6	0.9
Japan Growth Acc.	32.5	34.6	+1.1	0.4
UK Growth Acc	29.0	30.8	-0.2	2.4
UK Income Acc	26.4	28.1	-0.2	4.4
UK Income Inc	26.4	28.1	-0.2	4.4

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks   0732 450161

Equity Dist.*	239.8	253.5		3.78
Equity Acc.*	288.9	305.7		3.78
Fixed Int. Dist.†	116.0	120.2		11.25
Fixed Int. Acc.†	170.2	176.3		11.25

*Prices on Dec 2. Next dealing Dec 11
†Prices on Dec 4. Next dealing Jan 2

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188   Dealings to 0264 63432-3

TSB American	96.9	103.1	+1.6	1.27
Do Accum.	100.9	107.4	+1.7	1.27
TSB Extra Income	88.8	94.5	-0.3	6.04
Do Accum.	102.2	108.8	-0.3	6.04
TSB General	134.8	143.5	-0.1	3.07
Do. Accum.	216.0	230.0	-0.3	3.07
TSB Gilt & Fxd Int	46.7	48.7	-0.1	9.09
Do Accum	58.6	61.1	-0.1	9.09
TSB Income	115.0	107.1	-0.7	4.79
Do Accum.	269.9	287.2	-1.1	4.79
TSB Pacific	109.5	116.5	+1.8	0.60
Do Accum.	112.2	110.4	+1.8	0.60
TSB International	242.8	258.4	+3.7	1.95
Do Accum.	298.1	317.2	+4.6	1.95
TSB Natural Resources	41.8	44.5	+0.1	1.92
Do. Accum	42.6	45.4	+0.1	1.91
TSB Select. Opps.	48.5	51.7	-0.2	2.25
Do Accum	52.0	56.3	-0.1	2.25

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP   01-928 3956

Small Co's Fund	66.1	70.3	+0.2	0.10

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks   (0296) 5941

American Eagle	68.8	73.6	+0.9	0.47

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

Australian Gen Mngt Ltd
48 Athol Street, Douglas, IoM 0624 20045

Aust Gen Fund	46.53	47.24	....	—

Next dealing date: December 2

CIA Bond Investments AG
10 Baarerstrasse CH6301, Zug, Switzerland

Barer Std November 29	SF10,925	11,500	....	—

BNP Inv Mgmnt (Jersey) Ltd
PO Box 150, St Helier, Jersey 0534 76011

BNP Intercurrency Fund Ltd

US Dollar	$10.22		....	—
Sterling	£10.31		....	—
DMarks	DM30.54		....	—

BNP Interequity Fund Ltd

North American	$10.30	10.60	....	—
Far East	$10.32	10.75	....	—

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Liombaer J Baer $Fd	$1.964	1.967	+1	—
S-Baer, J Baer$Fd*	$1.044	1.049	+2	—
DM-Baer, J.BaerDMFd*	DM1,027	1.032	....	—

*Plus charge

Bamford Brandt Guernsey Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Comm	£7.37	7.82	....	—
Pac. Basin Fund	$36.51	38.70	....	—

The Bangkok Fund
Bangkok First Inv & Trust Ltd (Inv Advisors)
300 Silom Road, Bangkok, Thailand
NAV Dec 4 BAHT 261,700.95 (US$9,797.86)

Bank of America International SA
35 Boulevard Royal, Luxembourg GD

Worldinvest Inc	154.46	155.24	....	6.78

Valued weekly on Wednesdays

Barclays Unicorn International
1 Charing Cross, St Helier, Jersey 0534 73741

[illegible]

EBC Trust Company (Jersey) Ltd
1-3 Seale St, St Helier, Jersey 0534 36331

International Income Fund

US$ Dep Short &	$1.5009		+0.0004	—
Do. Dist	$1.0081		+0.0003	—
Mod.Cur.St'l term B	$1.2974		-0.0045	—
Do. Dist	$0.9660		-0.0033	—
Eurobd Long Term	$25.47		....	10.80

European Banking Traded Currency Fund*

Income	$10.67	11.000	-0.041	8.26
Capital	$12.20	12.576	-0.041	8.26

*Offer price includes 3% prelim. charge

European Banking Company Income Fund*

Income	$10.11	10.6260	+0.063	—

*Offer price includes 5% prelim. charge

The English Association
16 Athol St, Douglas, Isle of Man 0624 20738

E.A. Far East	$11.23	11.83	....	—

Next dealing Dec 6

Equity & Law International Fund Mgs Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

European Equity	94.3	100.3	....	—
Far Eastern Equity	$0.943	1.003	-0.005	—
North American Equity	$0.950	1.010	-0.010	—
UK Equity	92.5	98.4	-0.1	—
UK Gilt & Fixed Int	93.1	99.0	-0.4	—
Deutschemark Deposit	DM487.8	502.8	+0.002	—
Dollar Deposit	$0.975	1.005	....	—
Sterling Deposit	97.7	100.7	+0.2	—
Yen Deposit	Y487.9	502.9	+0.1	—
Managed Currency	95.6	101.7	+0.6	—
International Managed	—	—	....	—

Equity & Law International Life Assur Co Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

European Equity	50.1	53.8	....	—
Far Eastern Equity	$0.496	0.533	....	—
North American Equity	$0.514	0.552	....	—
UK Equity	48.4	52.0	....	—
UK Gilt & Fixed Int	46.9	50.4	....	—
Dollar Deposit	$0.473	0.508	....	—
Sterling Deposit	47.6	51.1	....	—
Managed Currency	48.0	51.6	....	—
International Managed	48.8	52.4	....	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Tyndall & Co
29-33 Princess Victoria St, Bristol. 0272 732241

Demand Acc	11.37	8.50	12.54	Qtr
Money Acc	11.03	8.25	12.15	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	11.00	8.22	12.20	Mth
Over £10,000	11.25	8.41	12.49	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 24141

High Int Chq Acc	11.63	8.69	12.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials		Marks & Spencer	13
Allied-Lyons	28	Midland Bk	35
BAT	26	NEI	10
BOC Grp	27	Nat West Bk	55
BSR	8	P & O Dfd	35
BTR	33	Plessey	14
Babcock	13	Polly Peck	21
Barclays	33	Racal Elect	15
Beecham	30	RHM	12
Blue Circle	50	Rank Org Ord	35
Boots	18	Reed Intnl	60
Bowaters	35	Sears	11
Brit Aerospace	32	TI	35
Brit. Telecom	17	Tesco	24
Brown (J.)	3½	Thorn EMI	34
Burton Ord	45	Trust Houses	12
Cadburys	13	Turner Newall	9½
Charter Cons	18	Unilever	90
Comm Union	23	Vickers	35
Courtaulds	13	Property	
Distillers	36	Brit Land	14
FNFC	12	Land Secs	26
Gen Accident	55	MEPC	26
Gen Electric	14	Peachey	24
Glaxo	100	Samuel Props	15
Grand Met	30	Oils	
GUS 'A'	78	Brit. Oil & Min	3½
Guardian	60	Brit Petroleum	45
GKN	20	Burmah Oil	27
Hanson Tst.	18	Charterhall	4
Hawker Sidd	36	Premier	5
ICI	42	Shell	55
'Imps'	16	Tricentrol	18
Jaguar	27	Ultramar	18
Ladbroke	27	Mines	
Legal & Gen	60	Cons Gold	40
Lex Service	24	Lonrho	12
Lloyds Bank	35	Rio T Zinc	50
Lucas Inds	38		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC makes progress on special levy for sugar

BY IVO DAWNAY IN BRUSSELS

EEC FARM ministers appeared last night to be edging towards a compromise in the long running debate over the future of the Community's sugar regime.

But efforts to resolve a row about a proposed ban on the use of hormones in livestock fattening were met with fierce resistence from the UK and finally abandoned.

Progress on sugar came when Ministers of the Ten seemed ready to accept the broad outlines of a European Commission compromise proposal imposing a special levy—averaging 1.3 per cent—on guaranteed prices.

This new tax, raised at varying rates from each member state in proportion to their past production, is intended to make up the ECU 400m (£240m) debt incurred by the regime over the past five years.

Ministers had earlier firmly resisted an alternative plan to increase production levies from 2 per cent to 2.5 per cent for "A" quota, which roughly equals each country's domestic demand, and from 37.5 to 47 per cent on "B" quota — that part of the surplus which receives price support.

Both plans were intended to come into effect for five years from next July when existing arrangements expire. The new compromise, however, would run for just two years.

After an all-night session of talks on Monday, Ministers resumed their discussions yesterday with a further debate as to what should take place after the two year scheme was completed. The French and West Germans who wished to protect their substantial B quotas, remained insistent that no tampering with national production ceilings should take place.

But the British and Italians appeared equally vehement that completion of the two year period should then allow a renegotiation of the formula which divides up the level of support available to each country.

Britain was isolated however on the question of a ban on hormones in livestock production proposed by the Commission last month after the European Parliament voted heavily to support the move. Mr Michael Jopling, the UK Agriculture Minister, remained insistent last night that such a decision could only be made on the advice of scientific experts. He claimed that there is no evidence that natural hormones, widely used in UK farming, can damage human health.

Aluminium stocks show some decline

NON-COMMUNIST world stocks of all forms of aluminium, excluding finished end products, were 3.99m tonnes in October compared with a revised 4.08m in September and 4.37m in October 1984, according to Provisional International Primary Aluminium Institute

● The UK Potato Marketing Board yesterday decided to release about half of the potatoes it had contracted to buy in November and December back to private buyers. As part of its market support operations, it had taken out preseason contracts to buy 105,000 tonnes of potatoes, of which it had taken delivery of 39,210 tonnes, and 57,319 tonnes are now to be released.

Tin council sets up group to meet LME brokers

BY STEFAN WAGSTYL

THE INTERNATIONAL Tin Council (ITC) has set up a working party to meet London Metal Exchange brokers to discuss ways of ending the tin market crisis.

The group of nine delegates is expected to meet the brokers today to discuss ways of reopening tin trading in an orderly way, before reporting back to the full ITC. The council wants the group to explore ways in which the potential losses it faces might be shared with its creditors.

The group will not have any negotiating powers. It might meet creditor banks tomorrow, but further steps must be agreed by the ITC.

Delegates said that the working party represented very limited progress at best.

It is understood that the EEC countries—apart from Britain which is anxious for a rapid settlement—were particularly reluctant to allow the working group too much authority. Britain's EEC partners have consistently believed that they have no legal responsibility for the tin council's debts and have been in no hurry to ease the financial difficulties of the LME. There is an unspoken belief that if the LME should collapse the other European cities, such as Hamburg, Frankfurt or Paris could set up an alternative metals market.

China tackles gold smuggling

BY ROBERT THOMSON IN PEKING

THE CHINESE Government has announced a crackdown on gold smuggling, and has threatened smugglers with the death penalty, as numerous Chinese continue to sell gold overseas to take advantage of higher prices.

China estimates that about 90,000 oz of gold are smuggled each year from the 10 main gold producing areas, and about 200,000 oz are hoarded annually by individuals reluctant to sell gold at the Government price.

Since September, the Government has been paying 895.70 yuan ($280) an ounce, up from 696.64 yuan ($218) to individuals who have the right to prospect in select areas, in a bid to cut smuggling. Before February 1 the purchase price had been 497.60 yuan ($156).

Obviously, the price increases have not been enough to discourage smuggling, as yesterday's China Daily reported that some smugglers are still offering up to twice the Government price to prospectors.

The state-run China Gold Company has said that armed police will be drafted into gold mining areas to deter prospectors from hoarding their finds and smugglers from buying from the prospectors.

The company indicated that the gold price would not be lifted further, and emphasis would be on tightened security in gold mining districts and the threat of severe penalties.

In the first eight months of this year, the Ministry of Public Security claimed to have uncovered 165 cases of gold smuggling, involving 787 people and the confiscation of 450 ounces of gold.

China's gold mining laws were relaxed in 1978 enabling individuals and collectives to mine for gold, causing what the government called a "gold rush," as an estimated 200,000 farmers turned their hands to prospecting.

The China Gold Company told the China Daily that prospecting laws were likely to be tightened and foreshadowed the introduction of "strict regulations governing mine organisation," though it said the Government still wanted to be "flexible."

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 9.6 per cent, $ per tonne, in warehouse, 2,740-2,800.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.40-3.95.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.73-0.77, sticks, 0.77-0.81.

COBALT: European free market, 9.5 per cent, $ per lb, in warehouse, 10.85-11.05.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 260-275.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.64-2.70.

SELENIUM: European free market, min. 9.5 per cent, $ per lb, in warehouse, 7.00-7.25.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO, cif, 57-65.

VANADIUM: European Free market, min. 98 per cent V 0, other sources, $ per lb V 0, cif, 2.15-2.20.

URANIUM: Nuexco exchange value, $ per lb U 0, 16.75.

Shell sees lower US oil and gas production

By William Hall in New York

US OIL companies have been discovering far less oil and gas over the past four years than expected. Given the fall in oil prices, the rate of exploration activity is projected to remain subdued for the rest of the decade, and US oil production is expected to drop significantly, according to Mr John F. Bookout, chief executive of Shell Oil in the US.

Between 1982 and 1985 4bn barrels of crude oil and 30 trillion cubic feet of natural gas are thought to have been discovered in the US. This is notably less than the 7bn barrels of oil and 42 trillion cubic feet of gas which US oil industry analysts had projected would be discovered, said Mr Bookout.

Several factors account for lower discovery volumes, including smaller exploration spending and disappointing results in frontier exploration areas such as Alaska and the Atlantic. Mr Bookout presented details of Shell Oil's projections for the domestic oil and gas industry over the next four years to a group of analysts in New York earlier this month.

Shell stressed that the figures were not official forecasts and emphasised the potential margin for error by noting that when the company conducted a similar study three years ago its projected 1985 oil price was $10 a barrel higher than current prices

Shell is projecting a slight decline in average domestic crude oil prices from today's $24.30 per barrel to $2.70 per barrel in 1987 and then an increase to $30.30 per barrel in 1990. It also projects US natural gas prices rising from $2.62 per thousand cubic feet to $3.60 in 1990.

According to the Shell projections, US oil industry exploration spending will remain virtually flat at about $18.5bn a year and new discoveries would continue at this year's rate of about 1.7bn barrels of oil and 9.3 trillion cubic feet of gas. Mr Bookout also said that oil and natural gas production in 1990 could be perhaps 1m barrels a day lower than current levels and in the case of natural production could be 1 trillion cubic feet per day lower.

Mr Bookout said that steeper production declines could be ahead, with reserves of oil and gas in 1990 about 12 per cent to 13 per cent below current levels.

According to the Shell figures US oil reserves are projected to drop from 30bn barrels now to 26bn barrels in 1990. Natural gas reserves are projected to drop from 200 trillion cubic feet to 176 trillion cubic feet over the same period.

The Shell oil study estimates that current annual US oil production is running at 3.3bn barrels, or 9m barrels a day. Its study sees production declining to 2.9bn barrels in 1990, which is equivalent to just under 8m barrels a day.

Mr Bookout cautioned that while Shell's figures projected that the US industry would not find enough oil and gas to hold its own this might be "too pessimistic a view as we cannot quantify in a simulation of industry performance and activity, the tendency to do better than expected under given circumstances.

Tim Coone on the problems of competition and mounting costs

Strike hits Honduras banana trade

THE Standard Fruit Company, one of two US multinationals which dominate the Central American banana industry, is running into difficulties with its operations in Honduras, one of the world's biggest banana producers and the original "banana republic."

Since noon on Monday a general strike has paralysed the company's plantations and packing plants as well as the northern port of La Celba through which much of the company's fruit is exported to the US and Europe.

A leader of the banana workers' union which has called the strike said it would last "indefinitely" until 53 workers sacked last week were reinstated and the company agreed to stand by a collective contract that it has with the union.

At present 6,000 workers are on strike and dockers and transport workers have promised support which threatens to turn the stoppage into a major confrontation. This could spread to Honduras' principal port of Puerto Cortes through which the bulk of the country's trade passes.

The labour unrest stems from the Standard Fruit Company's attempts to cut high production costs and its seeming inability to compete effectively with its US rival in Honduras, the United Fruit Company. As of last week, it began laying off skilled staff in central workshops with the aim of reducing wage bills, and to subcontract out maintenance work on plantations.

The company is also trying to push through substantial wage cuts for plantations workers against union resistance, the latter claiming that the company is breaking a wage agreement with the union. A management official at the company headquarters in La Celba admitted that this was the case.

Standard Fruit exported 15m 40-lb boxes of bananas from Honduras in 1984, against United Fruit's 25m. Both companies had been pressing the Honduran Government for a reduction in the export tax of 50 US cents a box, and had achieved a compromise agreement earlier in the year when the Government agreed to reduce the tax on exports in excess of 40m boxes a year.

United Fruit responded by increasing output from its plantations and according to Mr Eduardo Aragon, vice president of the company in Honduras, the company is expecting to export 30m boxes in 1985.

However it seems the company will fail to benefit under the incentive scheme because of a fall in Standard Fruit's production. As a result combined exports from the two companies may not reach the 40m box threshold.

Standard fruit would not give precise figures for 1985 production but said that "it is below the levels of recent years." The company said high production costs and the export tax were the causes of the fall in production. The company also said earlier in the year that the Honduran export incentive scheme was insufficient to stimulate production from its plantations.

In 1974, the Union of Banana Exporting Countries agreed to set a uniform export tax at $1 per box. Only Costa Rica has ever fully implemented the tax but has progressively been forced by the multinational companies to reduce it as other member countries broke ranks and cut the tax, or failed to implement it fully in the first place. Costa Rica reduced the tax to 70 cents a box in 1984, and is to cut in further to only 32 cents a box as of January 1 next year.

Standard Fruit said that the company is considering plans for expansion in Costa Rica as a result of the tax reduction which it said "is a better incentive than that provided by Honduras' incentive scheme." The company denied however that there was a plan to run down the banana exports form Honduras: "what we will see is a move out of production," and more concentration on marketing." About 30 per cent of Standard Fruit's banana exports are bought from private producers and marketed by the company. "That percentage will increase" the company said.

The trend followed by both major companies in recent years has been to reduce capital exposure in banana production in the region, and pave the way for standard fruit to withdraw completely from Nicaragua in 1982. That move broke the marketing contract which still had several years to run, that it had with the left-wing government there.

United Fruit pulled out of banana production in Costa Rica at the end of 1984, to convert its plantations to African oil palm production, and to only market bananas produced by Costa Rica producers.

Standard Fruit's production in Costa Rica has also been down in recent years. In 1985 exports are targeted at 16m boxes against 20m boxes, which was the average for previous years. Mr Aragon of United Fruit in Honduras blames Standard Fruit's high production costs on low export volumes.

Both companies have been investing heavily in container shipment of their banana exports to the US from Honduras. Mr Aragon said that a containerised operation involved higher costs, but gave higher returns because the fruit arrived in a better condition and commanded higher prices.

As yet the stoppage has only affected La Ceiba and Standard Fruit's plantations. Exports through La Ceiba are in conventional reefers. Containerised bananas are exported through Puerto Cortes. However the banana workers' union said: "We have 86 containers stopped on the plantations, and nothing is moving until the dispute is resolved."

Urgent talks were taking place on Monday night at Standard Fruit's Honduras headquarters, and company executives were expected to meet with union leaders on Tuesday. However, given Standard Fruit's problems with production costs and the union's determination to stand firm, there appears little room for compromise unless the Government steps in. This it might be forced to do if the strike spreads to Puerto Cortes and paralyses other shipping traffic.

LONDON MARKETS

COPPER and aluminium led a general rise in prices on the London Metal Exchange yesterday, with cash higher-grade copper rising by £13.50 a tonne to £964.25 and cash aluminium rising £14.50 to £709.50 a tonne. The fall in sterling supported all the LME markets, but copper was boosted by active forward buying and technical tightness on Comex. Aluminium rose during the afternoon on buying from merchant and producer interests, with underlying support coming from the International Primary Aluminium Institute figures which showed a higher-than-expected fall in non-Communist world stocks. On the soft commodity markets, robusta coffee futures rose further in afternoon trading yesterday, boosted by a continuing lack of rain in the key Brazilian growing areas, a firm New York market and the drop in sterling against the dollar. Sugar futures were mixed, while cocoa futures traded within a narrow range to close up to £4.50 a tonne. Gas oil futures fell sharply in line with crude in heavy trading, dropping $15.25 a tonne on the day to $270.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	709-10	+14.5	704/700
3 months	734-.5	+14.75	735/725

Official closing (am): Cash 700.5-1 (689-90). three months 726.5-7 (711.5-2.5). settlement 701 (690). Final Kerb close: 732-3.
Turnover: 59,750 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	964-.5	+13.5	958/958
3 months	985-.5	+13.5	983.5/977

Official closing (am): Cash 957.5-8 (948.5-9), three months 977-.5 (968-.5). settlement 958 (949). Final Kerb close: 983-.5.

Cathodes			
Cash	951-4	+13.5	944/944
3 months	968-.70	+12.0	—

Official closing (am): Cash 943-4 (933-4). three months 962-4 (953-4). settlement 944 (934).
Turnover: 39,450 tonnes. US Producer prices 67.00-71.00 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	267.5-8.5	+2.5	267/265.5
3 months	276-.5	+2.75	279/273

Official closing (am): Cash 266.5-7 (264.25-.5), three months 275.5-6 (272-3)- settlement 267 (264.5). Final Kerb close: 278.5-9.
Turnover: 14,975 tonnes. US Spot: 12.75-20.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	2788-90	+54.0	2768/27
3 months	2835-45	+70.0	2840/2800

Official closing (am): Cash 2165-70 (2730-5). three months 2810-5 (2780-5). settlement 2770 (2735). Final Kerb close: 2830-40.
Turnover: 972 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	467-.5	—3.25	468/467
3 months	463-4	—1.0	471/460

Official closing (am): Cash 467.5-5 (466-7). three months 464.5-5 (463-.5). settlement 468 (467). Final Kerb close: 464-5.
Turnover: 11,625 tonnes. US Prime Western: 33.00-33.75 cents per pound.

GOLD

Close	$318-318½	(£221¼-231¾)
Opening	$316-316½	(£218-219½)
M'n'g fix	$316.10	(£219-209)
Aft'n'n fix	$317.00	(£220-292)

Gold rose $½ an ounce from Monday's close in the London bullion market yesterday to finish at $318-318½. The metal opened at $316-316½ and traded between a high of $318¾-319¼ and a low of $315½-315¾. Trading remained confused as the market tried to assess the implications of recent developments on oil prices and Opec.

GOLD AND PLATINUM COINS

Kr'g'rnd	[illegible]	[illegible]
½ Krug.	[illegible]	[illegible]
¼ Krug.	[illegible]	[illegible]
1/10 Krug.	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
½ New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 5.75p an ounce lower for spot delivery in the London bullion market yesterday at 403.60p. US cent equivalents of the fixing levels were: spot 581c, down 17.5c; three-month 592.9c, down 17.3c; six-month 604.25c, down 17.65c; and 12-month 628.8c, down 17.7c. The metal opened at 403-405p (582-584c) and closed at 403-405p (583-585c).

LME—Turnover: 57 (18) lots of 10,000 oz.
Cash high/low 401.5p; three month high 419.5p, low 412p, final kerb 412-4p.

SOYABEAN MEAL

Sales: 364 (178) lots of 20 tonnes.

INDICES

FINANCIAL TIMES

Dec. 10	Dec. 9	M'th ago	Year ago
[illegible]	[illegible]	[illegible]	299.49

(Base: July 1 1952=100)

REUTERS

Dec. 10	Dec. 9	M'th ago	Year ago
1776.7	1768.3	1738.8	1893.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 9	Dec. 6	Month ago	Year ago
Spot	121.94	122.95	—	128.57
Fut.	124.81	124.87	—	124.26

(Base: December 31 1974 = 100)
* Not available due to suspension of tin LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

MEAT

Sales: 0 (11) lots of 50 carcases, 3,250 kg.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb.	102.00	102.00	—
April	103.20	103.20	—
June	100.30	100.30	—
Aug.	98.90	99.00	—
Oct.	104.00	104.10	—
Nov.	105.30	105.30	—

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 101.10p per kg lw (+6.39). GB—Sheep 158.26p per kg est dcw (+7.93). GB—Pigs 80.12p per kg lw (−0.13).

COCOA

Futures opened steadier but, in fairly light trade, eased on profit-taking before rallying on the close. Physical interest was muted with some limited consumer offtake at the lows, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Dec.	1690-1694	+11.5	1694-1680
March	1736-1737	+4.5	1742-1727
May	1749-1750	+4.0	1758-1744
July	1760-1763	+4.0	1769-1758
Sept.	1769-1771	+1.0	1781-1770
Dec.	1774-1775	+3.5	1785-1774
March	1785-1790	+4.9	1799-1795

Sales: 3,429 (4,848) lots of 10 tonnes.
ICCO indicator prices (US cents per pound). Daily price for December 9: 108.91 (107.97); five-day average for December 10: 107.42 (107.14).

COFFEE

Commission house and dealer selling during a fairly active morning created losses of £20-£25, reports Drexel Burnham Lambert. Prices fell again on the re-opening call before a sharp rally in New York influenced a rise in London for values to close steady.

COFFEE	Yesterday's Close	+ or —	Business Done
Jan.	2022-2025	+16.0	2030-1970
March	2075-2078	+13.0	2090-2015
May	2130-2124	+13.0	2125-2065
July	2170-2171	+23.0	2175-2100
Sept.	2213-2215	+15.0	2215-2150
Nov.	2245-2250	+7.5	2255-2200
Jan.	2240-2230	+5.0	—

Sales: 6,876 (3,444) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for December 9: Comp. daily 1979 157.33 (157.21); 15-day average 146.28 (145.11).

FREIGHT FUTURES

The market opened unchanged and remained quiet within a narrow range throughout the day. Some selling pressure was evident in the afternoon and levels eased slightly by the close, reports Clarkson Wolff. The Baltic Freight Index was 917.5, down 1.

	Close	High/Low	Prev.
Jan.	884/885	885/886	886/884.5
April	936/941	937/939	935
July	820/885	815/835	—
Oct.	915/925	915/917	914
Jan.	918/922	915/920	—
April	[illegible]	[illegible]	—
July	[illegible]	[illegible]	—
Oct.	[illegible]	[illegible]	—
Jan.	[illegible]	[illegible]	—
BFI	[illegible]		

Turnover: 56 (48).

GRAINS

Wheat rose gradually by up to 45p on sterling weakness and values gained slightly before a dull afternoon. Some trade selling was generally less active and maintained gains of around 50p on shipper buying, reports Muirpace.

US MARKETS

PRECIOUS METALS showed a steadier trend with scattered profit-taking providing support in gold and platinum while silver came under modest liquidation pressure from bearish technical indications, reports Heinold Commodities. Copper traded in a mixed fashion reflecting the steadier tone in precious metals and weaker sterling. Sugar came under pressure as cash news remained lacking. Coffee recovered from sharp losses early in the session to reach limit-up levels as aggressive roaster interest emerged. Cocoa came under pressure from arbitrage selling. Cotton sold off heavily on the build up in exchange warehouse stocks. The abandonment of fixed prices by Opec and expectations of a modest stock increase in the weekly trade report kept the energy complex on the defensive at limit-down offered. Soyabeans were firm on dry conditions in Brazil. The grain complex was featureless with modest support provided by light deliveries in maize and favourable export prospects for wheat.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	47.65	47.20	46.85	47.15
Jan	47.85	—	—	47.35
Feb	48.25	—	—	47.40
March	48.50	48.75	47.75	48.10
May	49.30	49.16	48.50	48.75
July	50.00	49.50	49.35	49.40
Sept	50.70	—	—	50.10
Dec	51.75	—	—	51.15
Jan	52.10	—	—	51.50
March	52.80	—	—	52.20

COCOA 10 tonnes, $/tonnes

COFFEE "C" 37,500 lb, cents/lb

COPPER 25,000 lb, cents/lb

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

GOLD 100 troy oz, $/troy oz

HEATING OIL 42,000 US gallons, cents/US gallons

SPOT PRICES—Chicago loose lard 16.00 (15.50) cents per pound. Handy and Harman silver bullion 591.0 (586.5) cents per troy ounce.

SILVER 5,000 troy oz, cents/troy oz

ORANGE JUICE 15,000 lb, cents/lb

PLATINUM 50 troy oz, $/troy oz

COTTON 50,000 lb, cents/lb

SUGAR WORLD "11" 112,000 lb, cents/lb

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

LIVE HOGS 30,000 lb, cents/lb

MAIZE 5,000 bu min, cents/56-lb bushel

PORK BELLIES 38,000 lb, cents/lb

SOYABEANS 5,000 bu min, cents/60-lb bushel

SOYABEAN MEAL 100 tons, $/ton

SOYABEAN OIL 60,000 lb, cents/lb

WHEAT 5,000 bu min, cents/60-lb bushel

POTATOES

SUGAR

RUBBER

JUTE

OIL

SPOT PRICES

GAS OIL FUTURES

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling at six-month low

A further decline in oil prices pushed sterling to its lowest level since June last year in currency markets yesterday. The proximity of Christmas and the year end meant that trading volume was lower than usual, giving rise to some erratic movements. Nevertheless sterling's undertone remained weak and higher than expected UK money supply figures, as measured by the M3 aggregate, failed to push the pound significantly firmer.

Although finishing above the day's low of $1.4290 at $1.4345-1.4355, it was still 2.35c down from Monday's close. The market was extremely nervous about the implications for sterling of an oil price war, and persistent selling pushed the pound's index down to 78.9 at the close, well below the opening level of 79.3 and Monday's close of 80.3.

Against the D-mark it slipped to a nine-month low of DM 3.6425 at the close, down from DM 3.6975 on Monday. Elsewhere it eased to Y292.00 from Y296.75, SFr 3.0400 from SFr 3.0875 and FFr 11.1225 compared with FFr 11.2750.

£ IN NEW YORK

	Dec. 10	Prev. close
£ Spot	$1.4350-1.4365	$1.4565-1.4576
1 month	0.46-0.43pm	0.45-0.43pm
3 months	1.23-1.20pm	1.23-1.21pm
12 months	3.90-3.80pm	3.90-3.80pm

Forward premiums and discounts apply to the U.S. dollar.

The dollar opened firmer against most currencies but was then confined to a narrow range in rather dull trading. Several US economic statistics are due for release later this week and apart from some seasonal demand ahead of the year end, there was little incentive to push the dollar outside its recent trading range. Against the D-mark it touched a best level of DM 2.5445 before closing at DM 2.5390 up from DM 2.5350 on Monday. Against the yen it was unchanged at Y203.55 and was marginally stronger in terms of the Swiss franc at SFr 2.1180 from SFr 2.1170 and FFr 7.75 compared with FFr 7.73. On Bank of England figures, the dollar's exchange rate index rose to 127.7 from 127.4.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5110. November average 2.5926. Exchange rate index 129.6 against 121.4 six months ago.

The D-mark was marginally weaker against the dollar in Frankfurt yesterday but improved against sterling as the latter suffered from lower oil prices. At the fixing the US unit rose to DM 2.5418 from DM 2.5310 and there was no intervention by the Bundesbank.

Despite the firmer trend, the dollar's undertone remained weak with the possibility of lower interest rates in the US seen as the prime factor. Hopes of lower rates were pinned on recent efforts to pass legislation to decrease and eventually remove the US budget deficit. Some remained sceptical as to how successful the authorities would be towards this end however. The dollar closed at DM 2.5395 compared with DM 2.5305 while sterling dipped to DM 3.6500 from DM 3.7000.

POUND SPOT—FORWARD AGAINST POUND

Dec 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4290-1.4470	1.4345-1.4355	0.46-0.43c pm	3.72	1.29-1.26pm	3.56
Canada	2.0080-2.0181	2.0085-2.0117	0.50-0.41c pm	2.72	1.26-1.16pm	2.43
Nethlnd.	4.09¾-4.13½	4.09¾-4.10¾	2¼-1⅞c pm	6.03	6-5½ pm	5.61
Belgium	74.15-74.49	74.15-74.25	24-18c pm	3.40	64-54pm	3.18
Denmark	13.17½-13.26½	13.17½-13.18½	3-2½ore pm	2.33	8⅞-7¼pm	2.35
Ireland	1.1786-1.1884	1.1806-1.1810	0.27-0.14p pm	2.89	0.58-0.31pm	1.51
W. Ger.	3.63½-3.67¾	3.63¾-3.64¾	2¼-2pf pm	7.00	6½-6pm	6.79
Portugal	229.12-234.18	229.28-233.76	145-440c dis	−15.16	450-1250dis	−14.69
Spain	225.20-226.28	225.26-225.56	60-135c dis	−5.19	205-300dis	−4.48
Italy	2474¼-2493¾	2475½-2476½	14-20lire dis	−8.24	26-33dis	−4.77
Norway	11.03¾-11.09¾	11.03¾-11.04¾	⅜-¼ore dis	−0.54	1½-2¼dis	−0.68
France	11.09¾-11.19½	11.11¾-11.12¾	1⅝-⅞c pm	1.28	1⅛-¾pm	0.34
Sweden	11.06½-11.13½	11.06½-11.07½	¾-1¾ore dis	−1.15	1½-2¼dis	−0.68
Japan	291½-293½	291½-292½	0.94-0.80y pm	3.58	2.83-2.66pm	3.76
Austria	25.64-25.75	25.64-25.68	11⅞-9⅞gro pm	4.97	33½-29½pm	4.61
Switz.	3.03¼-3.06¾	3.03½-3.04½	2⅛-1⅞c pm	7.89	5⅞-5½pm	7.40

Belgian rate is for convertible francs. Financial franc 74.50-74.60. Six-month forward dollar 2.46-2.41c pm. 12-month 4.20-4.05c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4290-1.4470	1.4345-1.4355	0.46-0.43c pm	3.72	1.29-1.26pm	3.55
Ireland†	1.2137-1.2188	1.2157-1.2165	0.22-0.12c pm	1.68	0.75-0.50pm	2.00
Canada	1.3970-1.4008	1.3970-1.3975	0.11-0.14c dis	−1.07	0.38-0.43dis	−1.16
Nethlnd.	2.8505-2.8695	2.8585-2.8595	0.58-0.56c pm	2.41	1.59-1.56pm	2.20
Belgium	51.59-51.76	51.65-51.75	¾-1c dis	−0.15	1-3dis	−0.15
Denmark	9.17½-9.21¾	9.18¼-9.18¾	⅞-1ore dis	−0.98	2-2½ dis	−0.98
W. Ger.	2.5350-2.5445	2.5385-2.5395	0.78-0.73pf pm	3.56	2.14-2.09pm	3.33
Portugal	160½-161¾	161-161½	150-360c dis	−18.60	450-1090dis	−17.98
Spain	156.65-157.10	156.70-156.80	90-180c dis	−10.32	250-375dis	−7.96
Italy	1724½-1730	1725-1726	17-19lire dis	−12.50	35-37½dis	−8.39
Norway	7.68¾-7.71	7.69-7.69½	2½-2¾ore dis	−4.10	7½-8dis	−4.10
France	7.73¼-7.76¾	7.74¾-7.75¼	1.20-1.60c dis	−2.17	5.60-6.25dis	−3.03
Sweden	7.70½-7.73	7.71¼-7.71¾	2⅞-3¼ore dis	−4.68	7¾-8dis	−4.08
Japan	203.15-203.80	203.50-203.60	0.01-0.04y dis	−0.15	0.13-0.08pm	0.22
Austria	17.82-17.89	17.84-17.86	2½-1⅝gro pm	1.34	8-5½pm	1.51
Switz.	2.1165-2.1240	2.1175-2.1185	0.79-0.74c pm	4.33	2.14-2.08pm	3.99

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.90-52.00.

EXCHANGE CROSS RATES

Dec 10	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.435	3.643	292.0	11.13	3.040	4.103	2476.	2.010	74.90
$	0.697	1.	2.538	203.6	7.750	2.118	2.859	1726.	1.401	51.70
DM	0.275	0.394	1.	80.16	3.054	0.832	1.126	679.8	0.552	20.57
YEN	3.425	4.914	12.47	1000.	38.09	10.41	14.05	8478.	6.880	254.1
F Fr.	0.899	1.290	3.275	262.6	10.	2.733	3.688	2226.	1.807	66.71
S Fr.	0.329	0.472	1.198	96.06	3.659	1.	1.350	814.5	0.661	24.41
H Fl.	0.244	0.350	0.888	71.16	2.711	0.741	1.	603.5	0.490	18.09
Lira	0.404	0.580	1.471	117.9	4.492	1.228	1.657	1000.	0.812	29.87
C $	0.497	0.714	1.812	145.3	5.535	1.512	2.041	1231.	1.	36.91
B Fr.	1.346	1.934	4.909	393.5	14.99	4.097	5.529	3337.	2.709	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Dec. 10	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	8⅛-8⅝	8⅜-8⅝	8⅝-8⅝	8⅝-8⅝	8⅜-8⅝	8⅜-8⅝
B.Fr.(Con)	8⅜-8⅝	8¾-9	8¾-9	8¾-9	8¾-9	8¾-9
Yen	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	7⅞-8	7⅞-7⅞	7⅞-7⅞
D. Krone	9⅛-9⅜	[illegible]	9-9½	[illegible]	[illegible]	[illegible]
Asian $ (Sng)	8⅛-8⅞	8⅛-8⅞	8⅛-8⅞	8⅛-8¼	8⅛-8¼	8¼-8⅜

Long-term Eurodollars: two years 8¾-9 per cent; three years 9⅛-9⅜ per cent; four years 9⅜-9⅝ per cent; five years 9⅝-9⅞ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Dec. 10	Bank of England Index	Morgan Guaranty Change %
Sterling	78.9	−11.7
U.S. dollar	127.7	+16.7
Canadian dollar	81.6	−11.2
Austrian schilling	120.3	+5.0
Belgian franc	92.4	−9.7
Danish Kroner	83.1	−2.7
Deutsche mark	129.0	+11.0
Swiss franc	150.7	+12.3
Guilder	119.8	+6.4
French franc	69.0	−11.6
Lira	44.8	−19.8
Yen	177.2	+89.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Dec. 10	£	$
Arg'tina	1.1478-1.1496	0.8000-0.8010
Aus'alia	2.1116-2.1146	1.4786-1.4740
Brazil	13,835-15,010	9,655-9,705
Finland	7.9146-7.9506	5.5175-5.5185
Greece	215.34-219.96	149.41-158.56
H'kong	11.1600-11.2000	7.8045-7.8065
Iran	125.95*	84.90*
Kuwait	0.4180-0.4185	0.29085-0.29095
Lux'burg	74.16-74.25	51.65-51.75
Malay'a	3.4800-3.4900	2.4280-2.4300
N'Z'land	2.5495-2.5500	1.7730-1.7760
Saudi Ar.	5.2445-5.2490	3.6495-3.6503
Sin'pore	3.0475-3.0875	2.1260-2.1280
S.Af.(Cm)	3.8420-3.8630	2.6775-2.6920
S.Af.(Fn)	4.7045-4.8645	3.2785-3.3900
U.A.E.	5.2765-5.2835	3.6720-3.6740

* Selling rate.

CURRENCY RATES

Dec. 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.753864	0.601601
U.S. $	7½	1.08579	0.865103
Canadian $	9.38	*	1.21132
Austria Sch.	4	18.4031	15.4680
Belgian Fr.	8¾	56.1625	44.7345
Danish Kr.	7	9.98665	7.95505
D mark	4	2.75998	2.19823
Guilder	5	3.10862	2.47540
French Fr.	9½	8.42847	6.70757
Lira	16½	N/A	1495.38
Yen	5	220.860	176.155
Norway Kr.	8	8.36384	6.66043
Span'h Pta.	—	170.559	135.882
Swedish Kr.	10½	N/A	6.68162
Swiss Fr.	4	N.A	1.83462
Greek Dr'ch	20½	163.864	130.681
Irish Punt	—	0.893287	0.711725

*C$/SDR rate for December 9: 1.52183.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7345	−0.22	+0.97	±1.5425
Danish Krone	8.12857	7.95505	−2.13	−0.94	±1.6421
German D-mark	2.23840	2.19823	−1.79	−0.60	±1.1455
French Franc	6.86402	6.70757	−2.28	−1.09	±1.3654
Dutch Guilder	2.52208	2.47540	−1.85	−0.66	±1.5162
Irish Punt	0.724578	0.711726	−1.77	−0.58	±1.6673
Italian Lira	1520.60	1495.33	−1.66	−1.36	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Opposing trends

Sterling and dollar denominated interest rate contracts moved sharply in opposite directions on the London International Financial Futures Exchange yesterday, mainly in reaction to speculation about a marked reduction in oil prices. The threat by the Organisation of Petroleum Exporting Countries to keep oil production levels above 16m barrels a day is expected to force down the market price of oil. This will be good for the general prospects for inflation, and may be an extra encouragement for the Federal Reserve to cut its discount rate. Any move by the Fed is not expected until the new year however, and dealers pointed out that this produced a very high premium for March delivery Eurodollar futures over December delivery of 16 basis points. A fall in the Federal funds overnight rate to less than 8 per cent helped encourage sentiment, and dealers reported the market was also optimistic about the prospects of Congress passing a revised Gramm-Rudman bill aimed at reducing the Federal budget deficit to zero by 1991.

US Treasury bond futures were also strong, after heavy demand in New York and Chicago overnight followed by a good market in the Far East. Chicago returned as buyers yesterday, with prices breaking through resistance levels and setting a new high for the March contract.

On the other hand the news from the Opec meeting at the weekend had a very depressing impact on the pound, and sterling denominated contracts. Gilts tried to hold steady, but suffered heavy falls in the cash and futures markets around noon. Selling was reinforced by fears that the November UK banking figures would show an alarming rise in lending of £3bn,

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4350	1.4306	1.4223	1.4107	1.3838

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4325	1.4375	1.4290	1.4585
March	1.4205	1.4255	1.4189	1.4465
June	1.4100	1.4175	1.4040	1.4365
Sept	1.4095	1.4085	1.4020	1.4300
Dec	1.4050	1.4050	1.4050	1.4200

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4220	1.4305	1.4185	1.4495
June	1.4105	1.4150	1.4085	1.4395
Sept	1.4075	—	—	1.4315
Dec	1.4345	1.4450	1.4312	1.4615

Est volume 1,040 (134)
Previous day's open int 3,997 (4,003)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3974	0.3976	0.3970	0.3987
June	0.4007	—	—	0.4020

Est volume 52 (5)
Previous day's open int 231 (234)

STERLING INDEX

	Dec 10	Previous
8.30 am	79.3	80.5
9.00 am	79.4	80.2
10.00 am	79.4	80.2
11.00 am	79.3	80.2
Noon	79.3	80.2
1.00 pm	79.2	80.2
2.00 pm	78.9	80.2
3.00 pm	79.1	80.2
4.00 pm	78.9	80.3

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	110-17	111-02	110-31	111-10
March	110-24	111-08	110-08	111-15
June	110-31	—	—	111-22

Est volume 4,939 (2,352)
Previous day's open int 5,276 (5,454)
Basis quote (clean cash price of 13¼% Treasury 2004/08 less equivalent price of near futures contract) −4 to +6 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	96-29	96-47	96-48	96-58
March	96-43	96-53	96-20	97-06

Est volume 446 (129)
Previous day's open int 839 (1,080)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	88.17	88.27	88.12	88.32
March	88.57	88.78	88.45	88.87
June	88.97	89.21	88.89	89.31
Sept	89.15	89.21	89.12	89.48
Dec	89.10	—	—	89.38

Est volume 5,018 (2,700)
Previous day's open int 7,554 (7,821)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	139.90	140.20	138.85	139.75
March	141.35	141.50	140.40	141.20

Est volume 522 (448)
Previous day's open int 2,722 (2,587)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.90	91.94	91.87	91.85
March	92.06	92.10	92.00	91.90
June	91.81	91.85	91.88	91.74
Sept	91.63	91.66	91.59	91.47
Dec	91.34	91.30	91.30	91.18

Est volume 5,189 (2,851)
Previous day's open int 21,362 (21,208)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	83-06	83-10	82-23	82-00
March	82-01	82-09	81-17	80-27
June	80-29	—	—	79-22

Est volume 4,988 (4,020)
Previous day's open int 2,893 (2,915)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	83-07	83-16	82-25	82-16
March	82-00	82-10	81-21	81-11
June	80-29	81-07	80-17	80-07
Sept	79-29	80-04	79-19	79-07
Dec	79-00	79-06	78-22	78-10
March	78-07	78-12	78-00	77-17
June	77-17	77-22	77-17	76-27
Sept	—	—	—	—
Dec	—	—	—	75-22
March	—	—	—	75-07

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.87	92.92	92.85	92.87
March	93.06	93.14	93.05	93.06
June	92.95	93.02	92.94	92.92
Sept	92.69	92.73	92.69	92.65
Dec	92.42	92.45	92.42	92.35
March	92.14	92.16	92.14	92.07
June	91.88	91.89	91.88	91.80
Sept	91.60	91.60	—	91.55

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.17	92.21	92.17	92.14
March	92.38	92.42	92.36	92.30
June	92.24	92.24	92.24	92.13
Sept	—	—	—	91.83

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.89	91.93	91.88	91.87
March	92.06	92.10	92.01	91.97
June	91.90	91.95	91.86	91.81
Sept	91.61	91.65	91.55	91.52
Dec	91.37	91.35	91.30	91.22
March	91.03	91.04	91.01	90.94
June	90.74	90.78	90.74	90.68
Sept	90.48	90.48	90.47	90.39

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	23.90	—	—	—	0.10	—	—	—
1.25	18.90	—	—	—	0.10	—	—	—
1.30	13.90	—	—	—	0.10	—	—	—
1.35	9.90	8.90	8.10	76	0.10	0.36	0.80	—
1.40	4.00	4.80	5.30	—	0.15	0.95	2.00	83
1.45	0.35	1.60	2.60	329	1.60	3.10	4.20	61
1.50	0.10	0.45	0.90	14	6.60	7.00	8.00	—

Previous day's open int: Calls 8,322 Puts 10,320

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	—	—	—	—	—	—	—	—
1.25	18.25	—	—	42	—	—	—	—
1.30	—	—	—	—	—	—	—	—
1.35	8.30	—	—	10	—	—	0.76	2
1.40	3.60	4.00	—	120	0.10	0.90	1.85	1014
1.45	0.25	1.25	—	1887	1.80	3.00	4.30	1312
1.50	0.05	0.35	—	680	5.85	—	7.70	23

Previous day's open int: Calls 62,499 Puts 58,157

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
90.00	1.90	2.06	1.92	—	0.00	0.00	0.01	—
90.50	1.40	1.58	1.45	—	0.00	0.00	0.04	—
91.00	0.90	1.08	1.01	—	0.00	0.02	0.10	—
91.50	0.40	0.63	0.63	—	0.00	0.07	0.22	—
92.00	0.04	0.29	0.33	40	0.14	0.23	0.42	25
92.50	0.00	0.09	0.14	5	0.60	0.53	0.73	—
93.00	0.00	0.01	0.05	—	1.10	0.96	1.14	—

Previous day's open int: Calls 2,344 Puts 3,261

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	23.57	23.57	23.57	—	0.00	0.02	0.36	—
1.25	18.57	18.57	18.57	—	0.00	0.12	0.86	—
1.30	13.57	13.57	13.57	—	0.00	0.46	1.78	—
1.35	8.57	8.57	8.28	6	0.00	1.31	3.23	85
1.40	3.57	5.16	6.40	82	0.03	2.96	5.35	233
1.45	0.24	2.79	4.20	525	1.79	5.59	0.15	272
1.50	0.00	1.38	2.61	128	6.56	9.13	11.56	40

Previous day's open int: Calls 3,272 Puts 17,195

MONEY MARKETS

London nervous as pound falls

Interest rates rose nervously on the London money market yesterday, as sterling continued to weaken on fears that the decision of ministers from the Organisation of Petroleum Exporting Countries to maintain high production levels will push down oil prices. Trading remained calm however, and dealers suggested there is no immediate pressure for a rise in clearing bank base rates. Three-month interbank rose to 11⅞-11¹⁵⁄₁₆ per cent from 11⅝-11¾ per cent, and discount houses buying rates for three-month bank bills rose to 11$\frac{11}{32}$ per cent from 11$\frac{5}{16}$ per cent. There was little reaction to the disappointing sterling money supply figures.

The Bank of England forecast a money market shortage of £800m initially, but changed this to £900m at noon, and provided total assistance of £910m, entirely through outright purchases of bills at unchanged rates.

Before lunch the authorities bought £770m bills, by way of £11m bank bills in band 1 at 11⅞ per cent; £88m bank bills in band 2 at 11$\frac{13}{16}$ per cent; £96m bank bills in band 3 at 11¾ per cent; £55m Treasury bills in band 4 at 11$\frac{11}{16}$ per cent; and £510m bank bills in band 4 at 11$\frac{11}{16}$ per cent.

In the afternoon the Bank of England purchased another £140m, through £55m Treasury bills in band 4; £48m local authority bills in band 4; and £37m bank bills in band 4 at 11$\frac{11}{16}$ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £481m, with the unwinding of repurchase agreements absorbing £411m; a rise in the note circulation £45m; and bank balances below target another £70m. These outweighed Exchequer transactions adding £210m to liquidity.

In Frankfurt the Bundesbank accepted bids of DM 11.7bn for a 35-day securities repurchase agreement, to add liquidity to the money market, at a rate of 4.60 per cent. Bids totalled DM 13.6bn, and banks will be credited with the funds today. The interest rate on the agreement was as expected, compared with a minimum tender rate of 4.50 per cent, but the allocation may be regarded as a sign that the central bank does not wish to see tight conditions, leading to an increase in interest rates, since the amount of DM 11.7bn replaces maturities of only DM 8.9bn. Call money was steady at 4.55 per cent yesterday.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.13
Two month	7.19
Three month	7.41
Six month	7.60
One year	7.76
Two year	8.26
Three year	8.49
Four year	8.73
Five year	8.82
Seven year	8.20
10 year	9.37
30 year	8.68

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 10)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 3/16	bid 8 1/16	offer 8 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 10	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos.	[illegible]	[illegible]	[illegible]	[illegible]	—	—
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Finance House Deposits	—	—	[illegible]	[illegible]	[illegible]	—
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Dollar CDs	—	—	8.05-8.10	8.00-8.05	8.00-8.05	8.05-8.15
SDR Linked Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11⅛ per cent; three-months 11⅛ per cent. Bank Bills (sell): one-month 11⅛ per cent; three-months 11⅛ per cent. Treasury Bills: Average tender rate at discount 11.1085 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1, 1985. Bank Deposit Rates for sums at seven days' notice 8.25-6.25 per cent (nil). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¾ per cent; three-six months 11¾ per cent; six-nine months 11¾ per cent; nine-12 months 11¾ per cent. Under £100,000 10½ per cent from November 29. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7¼ per cent.

MONEY RATES

Dec. 10	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.5-4.6	4.75-4.90	4.75-4.90	4.75-4.85	4.75-4.90	5.5
Paris	9	8⅞-8⅞	8$\frac{15}{16}$-9$\frac{1}{16}$	8⅞-8⅞	8$\frac{15}{16}$-9$\frac{1}{16}$	8¾
Zurich	1⅛-1⅛	4-4⅛	—	4-4⅛	—	—
Amsterdam	5⅝-5⅞	5⅞-6⅛	—	5⅞-6⅛	5⅞-6⅛	—
Tokyo	6.46875	6.37500	—	7.90625	—	—
Milan	15⅛-16	15-15⅜	—	14⅝-15	—	—
Brussels	[illegible]	[illegible]	—	[illegible]	[illegible]	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

Personal

London Clearing Banks' balances

as at November 20 1985

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	22,553		+342	
UK private sector	78,655		+1,125	
UK public sector	2,236		+342	
Overseas residents	12,711		−128	
Certificates of deposit	5,925		−297	
		122,080		+1,384
of which: Sight		47,810		+1,255
Time (inc. CD's)		74,271		+130
Foreign currency deposits:				
UK monetary sector	16,624		+81	
Other UK residents	5,757		+171	
Overseas residents	46,500		−209	
Certificates of deposit	5,952		−247	
		74,833		−204
Total deposits		196,913		+1,181
Notes in circulation		867		−1
Other liabilities*		32,029		+417
TOTAL LIABILITIES		229,809		+1,597
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	436		+23	
Other balances	2,017		+39	
		2,453		+62
Market loans:				
Discount houses	3,769		−222	
Other UK monetary sector	21,072		+795	
UK monetary sector CD's	3,070		+41	
Local authorities	813		−41	
Other	2,196		−542	
		30,921		+31
Bills:				
Treasury bills	67		−40	
Other bills	2,449		−211	
		2,516		−251
Investments:				
British Government stocks	3,828		+237	
Other	3,478		−29	
		7,306		+208
Advances:				
UK private sector	82,835		−99	
UK public sector	335		−88	
Overseas residents	4,335		+920	
		87,506		+734
Other sterling assets*		12,999		+442
Foreign currencies				
Market loans:				
UK monetary sector	18,871		+416	
Certificates of deposit	624		+28	
Other	32,100		−50	
		51,595		+394
Bills		359		−5
Advances:				
UK private sector	6,683		−165	
UK public sector	1,007		−10	
Overseas residents	18,912		−315	
		26,602		−490
Other foreign currency assets*		7,553		+471
TOTAL ASSETS		229,809		+1,597
Acceptances		5,002		+188
Eligible liabilities		90,434		+696

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westminster £m	Royal Bank of Scotland £m	Standard Chartered £m
LIABILITIES OUTSTANDING								
Sterling deposits	122,080	5,053	28,983	21,756	19,953	36,291	7,506	2,539
Change on month	+1,384	+140	+717	+53	−171	+469	+98	+78
Foreign currency deposits	74,833	1,212	13,817	12,433	15,666	20,896	3,285	7,524
Change on month	−204	+111	+242	−712	+197	+21	−179	+117
Total deposits	196,913	6,265	42,801	34,188	35,618	57,187	10,791	10,063
Change on month	+1,181	+251	+959	−659	+26	+489	−81	+195
STERLING ASSETS OUTSTANDING								
Cash and balances with the Bank of England	2,453	286	443	269	462	558	424	10
Change on month	+62	+3	—	+48	−31	+81	−38	+1
Market loans—UK monetary sector	24,842	681	5,530	4,153	3,024	9,849	911	694
Change on month	+574	+106	+392	−128	−38	+309	−82	+16
Other	6,089	133	1,254	1,147	957	2,109	276	204
Change on month	−542	−19	+105	−137	−132	−373	+17	−4
Bills	2,516	79	825	902	276	243	165	26
Change on month	−251	+11	−90	+95	−79	−196	+11	−2
British Government stocks	3,828	284	737	709	809	834	237	228
Change on month	+237	−10	+174	+22	−81	+112	+31	−12
Advances	87,506	4,206	22,457	14,981	14,606	23,090	6,208	1,958
Change on month	+734	+100	+57	+69	+65	+230	+168	+45
FOREIGN CURRENCY ASSETS OUTSTANDING								
Market loans and bills	51,954	493	9,697	9,440	8,689	16,513	2,025	5,097
Change on month	+389	+85	+211	−456	+299	+251	−127	+126
Advances	26,602	962	4,126	3,860	6,485	6,472	1,381	3,317
Change on month	−490	+115	+67	−124	−344	−157	−72	+26
ACCEPTANCES OUTSTANDING	5,002	268	1,013	551	1,175	1,159	406	430
Change on month	+188	+15	−26	+52	+147	+5	+5	−11
ELIGIBLE LIABILITIES OUTSTANDING	90,434	4,243	21,979	16,397	15,619	24,190	6,251	1,755
Change on month	+696	+127	+87	+275	−93	+57	+177	+66

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

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CORPORATION LOANS

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ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
230	146	M C'rthy Pb 20p	237		8.2	2.0	4.9	14.6
150	87½	Macfarlane Gp.	123		1102 16	3.1	2.5	17.3
47	34	Maclellan (P & W) 20p	41		†1.7	2.3	5.9	0.5
88	46	Magnolia Group	88		2.6	3.0	4.2	10.7
60	28	‡Mammet Hldgs 10p	56	+3	—	—	—	91.4
515	202	Man. Ship Can £1	485	+3	5.5	3.5	1.6	25.5
123	70	Marley	116	−1	3.75	2.2	4.6	14.0
107	52	Marling Ind 10p	92	+1	d1.5	5.1	2.3	11.7
62	36	Marshall C'ny. 'A'	70		†2.4	4.9	4.9	5.0
77	55	Marshall's Universal	69		†2.0	1.4	4.1	[illegible]
89	78	Do 7½pcCnRedPf £1	86	−1	7½%	—	12.5	—
£112	£81	‡Mattesons 7¼%	£110		07¼%	2.5	17.2	—
35	15	‡Mavorna 1p	19		—	—	—	—
561	375	Metal Box £1	512		17.25	3.0	4.8	8.1
170	110	Metal Closures	152		6.7	2.0	6.3	9.5
17	3	‡Metal Sciences 2½p	5	+½	—	—	—	—
104	63	‡Midland Marts	80		4.0	2.1	7.1	9.6
83½	55½	Mitchell Cotts	67½	+½	4.25	2.0	9.0	6.8
230	182	Morgan Crucible	197	−1	†8.0	1.6	5.8	13.7
33	18½	‡Morris (W) F.A. 20p	18½	−1	φ0.5	φ	3.9	φ
131	91	Moss (Robt.) 10p	118		†3.0	2.7	3.9	11.8
81	60	Myson Grp 10p	65		φ2.5	3.4	5.5	12.3

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

"Recent Issues" and "Rights" Page 30
(International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Banking statistics do little to clear malaise currently affecting stock markets

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 8.30 am two business days earlier.

The feeling of unease over the Cable and Wireless flotation and the spectre of lower oil prices continued to inhibit business in London stock markets yesterday. *Wall Street's current* buoyancy made not the slightest impression on sentiment as sterling weakened further and removed any chance this year of lower UK interest rates.

Government stocks were affected more than equities and selected longer maturities fell ¼ awaiting the 2.30 pm announcements of the December banking statistics. These were pretty awful again with the once-key denominator sterling M3 up around 2 per cent and bank lending some £1.9bn higher. *Dealers took the view, however,* that the figures could have been worse and Gilt-edged securities rallied. *The movement was aided* by bear-covering and high coupon longs finally reduced their losses to ⅛. Shorter-dated issues moved similarly.

Equity traders were content to debate the success or otherwise of the large Cable and Wireless issue *of partly-paid stock.* Fresh doubts emerged when the price yesterday of the existing shares fell *slightly* below the underwritten level of 587p but it managed to edge away later to close at 590p, down 2. The issuing houses have claimed a good acceptance to the offer but enthusiasm has faded considerably over the past day or two. Confirmation of the GEC offer for Plessey of around 163p per share raised only a token interest.

Speculative activity encompassed only a handful of leading stocks compared with a list running recently into double figures. Retailing shares took a knock on reports of a sector downgrading but two broking houses had merely revised their recommendations from buy to hold. Company trading statements were fewer than usual but the odd good feature emerged from secondary industrials.

The overall mood of indecision was reflected in the movements of the two main indices. Shortly after the start of trade, the FT-SE 100 share index was 3.3 up but an hour or so later it was 3.6 down. The fluctuations thereafter were minimal but, despite favourable Wall Street indications, the index closed 2.7 lower on the session at 1,389.5. The FT Ordinary share index behaved in much the same fashion but ended a net 0.3 firmer at 1,115.7.

Lloyds Brokers up

Currency influences bolstered Lloyds Brokers. Sedgwick featured with a gain of 17 at 355p, while Willis Faber put on 8 *at 795p, as did* C. E. Heath, at 663p. PWS International closed 10 to the good at 260p. Minet, 5 dearer at 225p, were additionally boosted by news of the *bumper third-quarter profits.*

Goode Durrant and Murray were outstanding in the banking sector, rising 12 to 103p following a sudden burst of speculative buying. Elsewhere, German concern **Deutsche** rose 3½ points more for a two-day gain of 9 points to £196 on further consideration of the successful acquisition of the Flick Group.

Property group **Merivale Moore** *staged a successful market debut;* the shares, placed at 115p opened at 122p and touched 127p prior to closing at *126p. Last* week's impressive newcomer **Laura Ashley** encountered profit-taking and fell 9 to 183p.

Business in Regionals was enlivened by company trading statements. **Greenall Whitley** dipped 7 to 167p reflecting disappointment with the preliminary profits. **Vaux**, up to 380p in immediate reply to the *better-than-anticipated full-year* profits, encountered scattered offerings thereafter to close 5 cheaper on balance at 370p. **Boddingtons** gave up a few pence to 89p, but the enthusiastic reception from brokers and the Press to the annual results lifted **Wolverhampton and Dudley** 17 more to 395p.

Trading statements provided the main source of interest in a generally subdued Building sector. Timber group **Meyer International** reacted to 173p on the slightly disappointing interim results, but subsequently rallied following a bullish analysts' meeting to close 4 better on *balance at 179p.* USM-quoted **Berkeley Group** rose 14 to 282p in reply to the good half-year figures and confident statement, but **James Latham** slumped 30 to 265p following more-than-halved interim profits. Profit-taking in the wake of the satisfactory annual results left **McCarthy and Stone** 22 lower at 260p. Elsewhere, **Bett Brothers** advanced to 88p on takeover speculation, but reacted on the board's statement that an unsolicited approach to the company had come to nothing and the close was just a penny dearer on balance at 79p. **Thomson T-Line Caravans**, in which Diamond Limited recently acquired a controlling interest at 50p per share, encountered profit-taking and shed 10 to 95p. USM-quoted **EBC** gained 20 to 156p on news that Kent Holdings had increased its *stake to* 15 per cent.

Gains in the Chemical sector often reflected overseas earnings potential following sterling's reaction against the US dollar. **ICI** figured prominently and touched 737p prior to closing a net 17 higher at 734p. **Allied Colloids** rose 13 to 155p, after 158p. Elsewhere, potential shell situation **British Benzol** revived strongly following Monday's bout of profit-taking and *gained 9 to 49p.*

FINANCIAL TIMES STOCK INDICES

	Dec. 10	Dec. 9	Dec. 6	Dec. 5	Dec. 4	Dec. 3	year ago
Government Secs	82.81	83.14	83.35	83.43	83.79	83.56	83.16
Fixed Interest	88.68	88.84	89.07	89.18	89.33	89.18	86.12
Ordinary ♥	1115.7	1115.4	1117.6	1110.4	1115.8	1128.3	930.1
Gold Mines	262.9	268.3	276.8	277.6	273.3	270.1	522.8
Ord. Div. Yield	4.41	4.43	4.42	4.44	4.41	4.37	4.68
Earnings, Yld. % (full)	10.93	10.98	10.96	11.02	10.96	10.85	11.80
P/E Ratio (net) (*)	11.26	11.22	11.24	11.20	11.25	11.36	10.17
Total bargains (Est.)	29,143	27,943	30,097	28,636	24,218	31,856	31,221
Equity turnover £m.	—	595.73	537.52	665.82	745.74	562.54	406.72
Equity bargains	—	30,863	36,078	35,453	23,355	24,753	41,900
Shares traded (ml)	—	598.6	307.6	512.1	342.8	274.3	256.6

♥ 10 am 1115.1. 11 am 1114.1. Noon 1113.5. 1 pm 1114.2. 2 pm 1114.9. 3 pm 1113.6. 4 pm 1117.2.
Day's High 1118.0. Day's Low 1112.8.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
* Nil=10.65.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (15/11)	76.02 (28/1)	127.4 (9/1/35)	46.15 (3/1/75)
Fixed Int.	90.38 (23/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.9 (25/11)	911.0 (25/7)	1146.9 (25/11/85)	49.4 (26/6/40)
Gold Mines	556.9 (15/4)	217.5 (5/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Dec. 9	Dec. 6
Daily Gilt Edged Bargains	135.7	133.8
Equities Bargains	200.0	255.6
Value	1408.3	1288.8
5 day Average Gilt Edged Bargains	140.1	144.0
Equities Bargains	192.5	184.7
Value	1540.7	126[illegible].1

Stores flat

Leading Stores lost considerable ground across a broad front, as confidence was unsettled after a brace of brokers issued cautious circulars on the *sector. Investors appeared to pay* little heed to recent indications of buoyant consumer spending, and with sentiment also affected to a certain extent by talk of the Chancellor's reduced scope for tax cuts in the new year, losses ranged well into double figures. Falls of around 20 were common to **Burton**, 531p, **Woolworth**, 528p, and **British Home Stores**, 392p. *Gussies A*, scheduled to reveal interim results tomorrow, closed 21 lower at 859p, while **Marks and Spencer** finished 7 off on balance at 173p. Mail-orders were also hard hit with losses of 22 in **Grattan** and **Freemans** at the common level of 346p. **Dixons** fell 37 to 887p in a relatively thin market, and **Harris Queensway** dipped 12 more to 234p. **NSS Newsagents** gave up 6 to 104p *awaiting today's annual* figures. An isolated firm spot was provided by **Warehouse** which was marked up *30 to 440p* in the wake of the interim statement.

Confirmation of *GEC's* formal offer of some 163p per share immediately prompted a rejection from **Plessey**, *which closed a* couple of pence off at 174p, after 172p; GEC rarely strayed from the overnight level of 172p. **Thorn EMI** closed 4 off at 407p, after 405p; the group announced after-hours conditional agreement for the £110m management buy-out of its Screen Entertainment division. Elsewhere, **Sound Diffusion's** announcement that the *company is in search of a* new finance director unsettled the shares which plunged to 21p before rallying to finish a net 6 down on balance at 24p. **Amstrad** came on offer at 186p, down 10, while **BSR** gave up 3 at 58p. **Crystalate**, on the other hand, rose 8 to 125p following demand ahead of tomorrow's preliminary results. **Brown Boveri Kent** reflected revived speculative buying with a rise of 6 at 79p, while **Petbow** hardened 2 to 50p on the agreed bid from **Anglo Nordic**, 4 lower at 27p.

The Engineering leaders closed with some useful gains. **GKN**, partly on currency influences, firmed 8 to 257p, while **Vickers**, still reflecting compensation *hopes, advanced 13 to 303p.* Elsewhere, **Spear and Jackson**, still awaiting further developments in the bid situation, improved 6 further to 252p.

United Biscuits, a weak market on Monday on thoughts that the proposed merger with Imperial Group was unlikely to proceed following *Hanson Trust's intervention,* rallied strongly on talk of a possible US bid for the company and touched 256p prior to closing a net 13 up at 250p. **UB warrants** gained 16 to 118p, after 120p.

Among Hotels, **Trusthouse Forte**, up 5 at 160p, reflected vague US *bid rumours.*

Pearson advance

Pearson advanced to 443p amid revived bid rumours before settling a little below the best at 428p, a rise of 18 on the day; the improvement was also accompanied by talk of a stake build up by Saul Steinberg. Elsewhere in the miscellaneous *industrial* sector, **Tiphook** responded afresh to the good interim results with a further gain of 6 at 136p, but comment on the preliminary figures prompted a fall of 2½ to 83½p in **Dobson Park**. **J.W. Spear** came to life with a rise of 13 to 165p, while bid speculation persisted in **European Ferries** which put on 2½ more to 146p. Among the leaders, currency influences helped **Glaxo**, ¼ higher at a new peak for the year of £15¾. **BTR**, 9 up at 365p, and *Beecham*, a few pence better at 341p. **Boots**, in contrast, reflecting a sharp setback in the store sector, fell 13 to 250p. **Pilkington Bros** continued to drift lower awaiting tomorrow's half-year figures and gave up 10 more to 298p.

International Leisure, formerly Intasun, slipped 2 to 103p on slight disappointment with the interim results.

Jaguar responded to favourable currency influences with a rise of 7 at 319p.

Currency considerations prompted revived support of **Bats** which advanced 17 for a two-day gain of 22 at 300p.

Oils down again

Oils lost further ground as North Sea *oil* prices remained under intense pressure following Opec's stated intention of protecting its share of world oil markets at the expense of oil prices. Among the leaders **BP** settled a further 5 lower at 540p, while **Shell** fell a like amount to *a 1985 low of 630p.* **Britoil** dipped to 210p, but later rallied to 216p prior to closing a net 4 off at *212p. Tricentrol* were persistently sold late in the day and ended the session 9 down at a 1985 low of 131p.

Golds easier

South African Gold shares were a dull market for much of the day, depressed by the initial decline in the bullion price. However, a recovery in the latter coupled with a batch of generally better-than-expected dividends from the mines in the Gold Fields group encouraged a minor rally after-hours.

Bullion ended the day a net 50 cents up at 318.25 an ounce, while the Gold Mines index showed a 5.4 fall at 262.9.

Demand for Traded Options subsided slightly with total contracts done amounting to *15,285*, another lively business developed in the FT-SE 100, with 781 calls and 1,106 puts struck. **Imperial Group** were again active and *recorded 1,622 calls, the popular* February 240's accounting for 829.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 2	*Dec 13*	*Mar 6*	*Mar 17*
Dec 16	*Jan 3*	*Mar 26*	*Apr 7*
Jan 6	*Jan 17*	*Apr 10*	*Apr 21*

For rate indications see end of Unit Trust Service

Jan 6 Jan 17 Apr 10 Apr 21

Call options were arranged in **Riley Leisure, Energy Capital, Laura Ashley, North Kalgurli, Fine Art Developments, Bio-Isolates, Sound Diffusion, Crystalate, Ohio Resources, Wordplex, Blacks Leisure, Polly Peck, Ramar Textile** and **Piccadilly Radio**. Puts were struck in **Sound Diffusion, IMI** and **Riley Leisure**. A double was taken out in *Sound Diffusion.*

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (51)

AMERICANS (5)
Abbott Labs.
Ahmanson (H. F.)
Browning-Ferris
Union Carbide
Woolworth

BANKS (4)
Allied Irish
Banco de Santander
Deutsche Bank
Wagon Finance

BUILDINGS (7)
Berkeley Group
Bott Bros.
Cement-Roadstone
EBC
Lafarge-Coppee
Miller (Stan.)
Ramus

CHEMICALS (1)
Allida Nidgs.

STORES (1)
S & U Stores

ELECTRICALS (1)
NEC

ENGINEERING (3)
Dartend Stamping
Noble & Lund
Wood (S. W.)

FOODS (1)
Assoc. Fisheries

HOTELS (2)
Inn Leisure
Queens Moat 7pc Cnv. Pf.

INDUSTRIALS (9)
Alfa-Laval
Glaxo
Havelock Europa
Parkfield
Pearson
Spear (J. W.)
Tiphook
Unilever N.V.
Waterford Glass

LEISURE (2)
Anglia TV A
Campari Intl.

PAPER (2)
Smurfit (Jefferson)
Trade Promotion

PROPERTY (6)
Asda Property
Dencora
Lond Shop Prop. 9pc Cnv. 1994-99
Ewart New Northern
Trencherwood
Wates City of Lond.

SHIPPING (1)
Ocean Transport

TEXTILES (1)
Yorklyde

TRUSTS (4)
Hill (Philip)
Robeco (Br.)
Scot. American Inv.
Brint Invs.

OVERSEAS TRADERS (1)
Gt. Nthrn. Telegraph

NEW LOWS (48)

BRITISH FUNDS (2)
Exchqr. 10¼pc Cnv. 1989 (£40 paid)
Exchqr. 13¼pc 1987

LOANS (1)
Nationwide Bldg. Soc. 11⅞pc 15/9/86

BUILDINGS (1)
Tysons (Contractors)

ELECTRICALS (8)
Bulgin A(L. F.) A
DDT
Feedback
Prestwick
Quest Automation
Sound Diffusion
United Leasing
United Scientific

FOODS (1)
Glass Glover

INDUSTRIALS (5)
Combined Technol.
Forth-A-Chron
Lond. & Nthrn. Grp.
Morris (W) Fine Arts
Nash Inds.

INSURANCE (1)
Abbey Life

PAPER (1)
Chapman Invt.

PROPERTY (1)
Control Securities

SHIPPING (1)
Mersey Dock Units

TRUSTS (2)
Viking Resources
Nevi Baltic

OILS (17)
Bristol Oil & Mins.
Charterhall
Cluff Oil Wts.
Clyde Petroleum
Firstland Oil
Floyd Oil
Goal Petroleum
Jackson Explrtn.
Marinex Petroleum
N. Sea & Gen. Inv.
Ohio Resources
Petranol
Shell Transport
Sovereign Oil & Gas
Strata Oil
Texaco 4¾pc Cnv.
Tricentrol

MINES (7)
Australis Mining
Black Hill Minerals
Cultus Pacific
Enterprise Gold
Geevor Tin
Tronoh Mines
Greenwich Res.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
180	F.P.	18/1	218	193	Abbott Mead Vickers	200	......	bg2.8	3.0	2.0	[illegible]
135	F.P.	9/1	193	183	Ashley (Laura) 5p	183	−9	bg1.88	3.1	1.4	[illegible]
§96	F.P.	10/1	97	85	‡Chart. Foulks Lynch	87	+1	bg3.0	1.9	4.9	[illegible]
§110	F.P.	18/12	134	124	‡Cheshire W'foods 5p	125	−1	bg3.85	2.0	4.2	16.7
$1/71p	F.P.	—	99	96	China & Eastn. Inv $0.50	97	......	—	—	—	—
—	F.P.	—	21½	16	Do. Warrants	20	......	—	—	—	—
§90	F.P.	6/11	122	98	‡Colorgen Inc. $0.01	107	......	—	—	—	—
—	—	—	28½	27	Cont'l A'sets Wa'rants	27	......	—	—	—	—
§88	F.P.	6/11	95	85	‡Cowells	86	+1	bg2.5	2.8	4.8	12.6
§95	F.P.	17/1	100	97	‡Cranswick Mill 10p	100	......	bg5.32	2.2	7.6	8.6
§74	F.P.	8/1	81	71	‡Crusts 5p	81	......	bg0.7	9.8	1.2	8.7
§128	F.P.	10/1	135	130	‡Dialene	135	......	u4.9	2.5	5.3	8.7
95	F.P.	20/12	109	96	‡Ealing Electro. 5p	96	−1	bg2.2	4.3	3.3	[illegible]
100	50	26/2	49½	49	German Sec. Inv. £1	49	......	—	—	—	—
§72	F.P.	29/11	75	65	‡Gibbon Lyons 10p	70	......	bd35.2	—	7.2	[illegible]
§57	F.P.	11/12	67	60	‡Hampden Homes 10p	64	......	bg1.5	2.8	5.3	16.5
55	F.P.	20/12	54	50	INOCO 10p	50	−1	—	—	—	—
190	F.P.	10/1	206	170	Intl. City Hldgs.	180	......	u9.0	2.2	7.1	7.4
§160	F.P.	13/1	232	170	‡J S Pathology 10p	230	−2	bg3.6	2.7	2.2	24.0
114	F.P.	10/1	115	97	‡Magnetic Materials	102	−1	u2.8	3.1	3.9	9.4
§90	F.P.	28/11	98	91	‡Martin (Ronald) 10p	97	+2	bg3.37	2.2	4.9	13.2
§113	F.P.	—	127	122	Merivale Moore 5p	126	......	b2.5	4.0	2.8	12.4
§57	F.P.	22/11	72	57	‡Metsec 10p	62	......	bg2.6	—	5.1	11.6
§160	F.P.	20/12	168	165	‡Millward Brown	165	......	bg2.5	3.5	2.2	18.0
§77	F.P.	—	80	78	‡Monks & Crane 10p	78	−2	bg2.7	2.7	4.9	10.7
123	F.P.	18/12	146	128	SPP 10p	143	......	bg4.75	2.3	4.7	15.0
§173	F.P.	22/11	193	168	‡Shandwick 2p	165	−2	u3.68	—	3.1	20.8
§97	F.P.	10/1	106	101	‡Snowdon & Bridge.	104	......	bg2.75	3.0	3.8	11.8
§37	F.P.	6/1	41	36	‡Sterling Publish'g 5p	38	−2	b2.0	1.9	4.1	16.0
100	F.P.	22/11	100	87	Strata Invs.	95	......	—	—	—	—
—	—	—	32	29	Do. Warrants	30	......	—	—	—	—
§116	F.P.	20/12	128	119	‡TMD Advertising 3p	122	......	ug1.65	3.3	1.9	22.1
§160	F.P.	10/1	200	167	‡Tech. Compt. Inds.	200	......	bg5.9	2.6	2.1	25.4
¶180	F.P.	20/12	212	187	Underwoods 10p	187	−5	bg1.65	3.0	1.3	28.0
§90	F.P.	—	105	90	‡W Yorks Ind. Hos. 50p	90	......	64.0	1.8	6.5	11.2
§128	F.P.	20/12	173	130	‡World of Leather	150	−5	bg2.5	6.0	2.4	10.0

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
97.203	£25	4/4	24¼	24	Allied Lon. Props. 10¾% 1st Mort. Deb. 2025	24	−¼
87.306	£30	—	32⅞	29⅝	Australia 9½% Ln. 2012	30¼	−⅛
81.445	£30	17/1	28⅛	27¼	Bank of Greece 10¼% Ln. 2010	27¼	−⅛
‖	F.P.	8/1	110	100	Biomechanics 8% Cnv. Uns. Ln. 1991	100	......
§100	£10	30/1	10⅝	950p	Bristol Water 11.2% Red. Deb. 2005-08	950p	......
196.456	F.P.	27/11	116½	97¼	Brixton Est. 10¾% 1st. Mort. Deb. 2025	97¼	−⅛
¶¶	F.P.	31/1	109	105	Bunzl 7% Cnv. Uns. Ln. 1993/97	107	......
§100	£10	25/1	11¼	11	Chester Water. 8% Red. Pref. 1992	11	......
‖	F.P.	3/1	111p	103p	‡Cont. Microwave 8% Cnv. Red. Pf. 2005	103p	......
§100	£10	30/1	10⅝	950p	East Anglian Water 11.5% Rd. Db. 1995-97	975p	+25
§100	£10	30/1	10⅛	950p	Essex Water 11.5% Red. Deb. 1995-97	975p	+25
§100	£10	30/1	10⅝	950p	Do. 11.2% Red. Deb. 2005-08	950p	......
§27.617	£25	31/1	27¾	25¾	Evans of Leeds 11% 1st. Mort. Deb. 2025	26	−¼
¶¶	F.P.	—	162	155	Gable Hse. Props. 10¼% Cnv. Ln. 95/98	155	......
96.605	£25	10/1	25¼	24¼	Haslemere 10½% 1st Mort. 2016	24½	−⅛
88.466	£30	24/1	32⅛	29⅞	Intl. Bk. for Rec. & Dev. 9½% Ln. 2010	30¼	−⅛
£12	Nil	—	250pm	250pm	Intl. Inv. Tst. Jersey Units*	250pm	......
§22.899	£23	31/1	26⅝	25⅞	Land Securities 10% Deb. 2025	24½	−⅛
—	F.P.	—	100⅛	99¾	Nationwide Bldg. Soc. 11⅝% 17/11/86	99⅞	−⅛
—	F.P.	—	99⅛	99⅞	Do. 11⅞% 13/12/86	99⅞	−⅛
§98.43	£25	21/2	25⅝	24	Peachey Prop. 10½% 1st Mort. Deb. 2016	24	−¼
§99.513	£40	23/2	40¼	38⅞	Rosehaugh Greycoat 11% 1st Mt Db 2014	38⅞	−⅞
¶87.23	£30	30/4	31⅛	29⅛	Sweden (Kingdom of) 9¼% Ln. 2014	29⅛	−⅛
‖	Nil	22/1	59ppm	28ppm	Tozer Kemsley 8½% Cnv. Cum. Prf. 20p	52pm	......
96.543	F.P.	2/11	95½	94½	Whitbread Inv. 7%-12% Step. Int. Ob. '10	94½	......
§98.558	F.P.	10/1	100¼	99¾	Yeoman Inv. Tst. 11¼% Deb. 2015	99¾	−¼

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
$A3.75	Nil	—	28½pm	27pm	ANZ $A1	27pm	−1½
9½	F.P.	10/1	11	9¾	Barker & Dobson 1p	11	+¼
280	Nil	20/1	84pm	56pm	Eastwood 15p	75pm	+2
146	Nil	17/1	40pm	23pm	Bodycote Int'l	38pm	−2
23	F.P.	2/1	54	40	Comm. Bk. Wales	49	......
270	Nil	2/1	50pm	40pm	Countryside Props	44pm	......
130	Nil	8/1	57pm	27pm	Crown House	33pm	......
94	F.P.	24/1	115	107	‡Dencora	110	......
68	Nil		2pm	2pm	Hartwells	2pm	......
50	Nil	10/1	2pm	2pm	Leisure Inv	2pm	......
365	Nil	10/1	80pm	55pm	Lucas Inds. £1	58pm	−5
2¼	Nil	8/1	5pm	2½pm	‡Metal Sciences 2½p	5pm	......
50	F.P.	23/12	64	53	‡Pavion Intl.	55	−3
32	Nil	10/1	4pm	1½pm	Readicut 5p	1½pm	−½
260	Nil	24/1	120pm	110pm	Regalian Props.	110pm	......
240	Nil	20/1	45pm	28pm	Samuelson Grp. 80p	30pm	+2
187	Nil	8/1	36pm	24pm	Wedgwood	26pm	+2

*Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising five ordinary and one warrant. * Units comprising 12 preference shares and one warrant.*

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	104	4
Corpns. Dom. & Foreign Bonds	7	31	44
Industrials	267	367	856
Financial & Props	136	74	356
Oils	12	53	80
Plantations	3	3	12
Mines	27	54	100
Others	130	41	79
Totals	584	*727	1,513

* Correction—Monday's total falls were 943

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Dec 10 1985 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Dec 9 Index No.	Fri Dec 6 Index No.	Thurs Dec 5 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	567.07	+0.1	10.12	4.05	12.38	15.23	566.71	572.03	569.19	547.81
2	Building Materials (23)	622.30	−0.6	10.71	4.36	11.65	17.26	626.34	630.69	626.87	498.99
3	Contracting, Construction (27)	922.34	−0.8	10.48	4.60	12.29	28.48	929.91	929.72	927.51	715.24
4	Electricals (13)	1525.63	−1.2	9.80	4.97	13.85	52.34	1544.40	1568.14	1570.68	1614.92
5	Electronics (39)	1412.38	−0.1	10.55	3.23	12.44	32.01	1414.39	1437.57	1417.72	1900.65
6	Mechanical Engineering (61)	322.21	—	10.73	4.52	11.31	9.57	322.39	326.37	325.58	260.19
8	Metals and Metal Forming (7)	234.58	—	9.39	6.97	12.99	7.98	234.59	238.38	236.59	160.56
9	Motors (17)	198.36	+1.2	12.12	4.45	9.96	5.91	196.03	199.07	198.18	136.43
10	Other Industrial Materials (20)	1005.20	+1.4	7.46	3.59	16.09	24.34	991.18	988.78	995.24	779.34
21	CONSUMER GROUP (177)	762.49	−0.5	8.61	3.59	14.55	18.21	766.00	767.82	763.53	595.95
22	Brewers and Distillers (23)	764.85	−0.5	9.87	3.99	12.98	17.44	768.89	779.09	776.25	544.63
25	Food Manufacturing (22)	561.74	+0.8	10.66	4.44	12.06	17.32	557.07	562.63	563.78	465.00
26	Food Retailing (14)	1758.67	−0.2	6.18	2.56	21.75	28.06	1762.26	1768.92	1780.15	1430.13
27	Health and Household Products (9)	1226.69	+1.1	6.24	2.67	18.80	23.08	1213.06	1213.82	1196.71	1007.59
29	Leisure (24)	764.06	+0.1	7.34	4.37	17.37	23.67	762.93	768.15	756.29	661.34
32	Newspapers, Publishing (11)	1836.76	−1.0	7.36	5.32	17.17	58.90	1854.65	1869.60	1867.98	1426.33
33	Packaging and Paper (13)	369.99	−0.4	9.42	4.38	12.73	10.19	371.47	375.73	377.48	277.50
34	Stores (42)	764.98	−3.7	6.93	2.83	19.56	15.09	794.49	791.09	791.44	528.91
35	Textiles (16)	380.94	—	11.66	4.51	9.73	11.43	380.98	387.26	383.25	284.60
36	Tobaccos (3)	875.68	+3.7	15.06	5.13	7.58	30.77	844.76	825.78	796.62	827.48
41	OTHER GROUPS (98)	714.47	+0.1	9.24	4.07	13.99	16.56	713.64	716.95	717.98	576.85
42	Chemicals (18)	734.03	+1.7	13.67	5.28	9.67	26.69	721.58	715.20	719.35	674.17
44	Office Equipment (4)	219.04	−0.8	7.27	4.00	16.40	6.20	220.82	223.63	222.44	145.18
45	Shipping and Transport (10)	1338.51	+0.4	7.42	4.10	16.49	40.16	1333.31	1338.94	1318.72	927.29
46	Miscellaneous (64)	881.24	−0.2	7.95	3.77	15.50	19.69	882.82	882.01	886.61	760.84
48	Telephone Networks (2)	892.34	−0.4	8.46	3.70	15.71	14.30	896.05	908.78	908.78	668.16
49	INDUSTRIAL GROUP (482)	706.33	−0.2	9.14	3.83	13.82	17.25	707.65	710.94	708.35	588.64
51	Oils (18)	1093.21	−1.0	17.22	8.01	7.12	60.72	1104.43	1124.10	1109.20	1090.41
59	500 SHARE INDEX (500)	739.84	−0.3	10.07	4.31	12.47	20.74	741.94	746.52	742.96	630.62
61	FINANCIAL GROUP (116)	511.87	+0.1	—	4.75	—	16.96	511.18	515.36	513.58	420.73
62	Banks (6)	514.78	+0.1	17.87	5.79	8.00	21.12	514.36	518.06	514.00	413.75
65	Insurance (Life) (9)	791.17	−0.2	—	4.30	—	23.40	792.65	807.11	809.60	561.22
66	Insurance (Composite) (7)	390.02	−0.3	—	5.05	—	13.79	391.04	394.88	396.03	309.78
67	Insurance (Brokers) (8)	1159.58	+2.8	7.29	3.72	18.34	30.86	1128.38	1140.41	1142.72	940.10
68	Merchant Banks (11)	284.21	+0.4	—	3.64	—	6.83	283.12	282.04	278.68	217.41
69	Property (51)	671.96	−0.4	5.77	3.68	23.22	17.40	674.69	678.47	672.72	637.28
70	Other Financial (24)	301.75	+0.7	10.14	5.66	12.19	11.59	299.63	299.79	298.68	257.64
71	Investment Trusts (105)	631.70	+0.2	—	3.45	—	15.06	630.21	631.72	630.38	554.20
81	Mining Finance (3)	244.69	—	13.67	6.95	8.51	10.48	244.70	249.94	247.34	275.95
91	Overseas Traders (14)	587.91	+0.1	13.31	6.96	8.93	29.15	587.49	587.43	579.09	606.26
99	ALL-SHARE INDEX (738)	673.49	−0.2	—	4.38	—	19.50	674.75	679.09	675.97	574.96

	Index No.	Day's Change	Day's High	Day's Low	Dec 9	Dec 6	Dec 5	Dec 4	Dec 3	Year ago
FT-SE 100 SHARE INDEX	1389.5	−2.7	1395.5	1388.6	1392.2	1401.9	1395.3	1399.6	1415.6	1198.6

FIXED INTEREST

	PRICE INDICES	Tues Dec 10	Day's change %	Mon Dec 9	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	118.35	−0.23	118.62	—	10.93
2	5-15 years	131.58	−0.43	132.15	—	12.72
3	Over 15 years	137.34	−0.57	138.13	—	11.82
4	Irredeemables	149.75	−0.25	150.13	—	13.57
5	All stocks	129.58	−0.38	130.08	—	12.08
6	Debentures & Loans	110.79	−0.20	111.01	—	12.05
7	Preference	81.71	−0.01	81.71	—	6.62
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	109.26	−0.66	109.99	—	2.69

	AVERAGE GROSS REDEMPTION YIELDS		Tues Dec 10	Mon Dec 9	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.18	10.09	10.27
2		15 years	10.33	10.27	10.13
3		25 years	10.34	10.28	9.74
4	Medium Coupons	5 years	11.17	11.06	10.95
5		15 years	10.69	10.62	10.56
6		25 years	10.31	10.24	9.99
7	High Coupons	5 years	11.26	11.15	10.99
8		15 years	10.83	10.76	10.72
9		25 years	10.48	10.41	10.11
10	Irredeemables†		9.81	9.78	9.71
11	Debs & Loans	5 years	11.47	11.28	11.24
12		15 years	11.36	11.28	11.34
13		25 years	11.25	11.28	11.35
14	Preference†		11.87	11.87	12.63
15	Inflation rate	5%	3.76	3.70	3.28
16		10%	3.58	3.52	3.11

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
British Benzol	49	+9
Burton	531	−19
Freemans	346	−22
Glaxo	£15¾	+¼
ICI	734	+17
Imperial Group	254	−2
Metal Closures	152	—
Ocean Transport	199	+11
Pearson	428	+18
Sound Diffusion	24	−6
United Biscuits	250	+13
Watson and Philip	150	−7

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Boots	28	263	+20
Brit Benzol	22	40	−12
Imperial Group	18	256	+3
Euro Ferries	17	143½	+5
J. S. Pathology	15	232	+30
Bass	14	660	−13
Beecham	14	338	−2
ICI	14	717	+13
Brit Home Strs	13	412	−2
LASMO	13	232	+4
Tiphook	13	130	+8
Woolworth	13	547	−5

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	—	—	11	26	—	—	$317.70
GOLD C	$320	853	7.50	104	15.70 B	—	—	"
GOLD C	$340	183	1	—	—	—	—	"
GOLD P	$300	132	2.60	140	5.80 A	16	8	"
GOLD P	$320	57	10	1	13	35	12	"
GOLD P	$340	30	23	—	—	14	26	"
		Dec.		March		June		
SILVER C	$550	—	—	—	—	3	70	$584
SILVER P	$600	20	85	—	—	50	40	"
SILV P	$550	—	—	6	65	—	—	"
£/FR C	FR410	—	—	1	2	—	—	Fr411.06
£/FR C	FR430	—	—	—	—	10	1	"
£/FR P	FR410	—	—	103	0	—	—	"
$/FL C	Fl.280	85	7	25	10.20	6	12.50	Fl.286
$/FL C	Fl.285	—	—	58	7.80 A	—	—	"
$/FL C	Fl.290	103	0.80	6	4.90	—	—	"
$/FL C	Fl.300	2	0.10	11	2.70	2	4	"
$/FL C	Fl.305	—	—	20	1.70	—	—	"
$/FL P	Fl.280	—	—	6	5.60	—	—	"
$/FL P	Fl.285	60	1.80	2	8	18	11.50	"
$/FL P	Fl.290	8	5 B	—	—	5	14	"
$/FL P	Fl.225	13	2	—	—	—	—	"
$/FL P	Fl.300	3	14.30 B	1	17	6	21.50	"
$/FL P	Fl.305	1	19 B	10	21	—	—	"
$/FL P	Fl.320	5	55	—	—	—	—	"
£/$ P	$130	500	0.10	—	—	—	—	$143.70
£/$ P	$140	209	0.40	—	—	—	—	"
		Jan.		Apr.		July		
ABN C	Fl.540	130	7	55	17	—	—	Fl.527
ABN P	Fl.500	32	2	121	8	11	14.60 B	"
AEGN C	Fl.115	156	1.30	43	4	—	—	Fl.108
AEGN P	Fl.110	147	4.90	35	8.70	—	—	"
AH C	Fl.72.50	370	5.90	—	—	—	—	Fl.74.60
AH P	Fl.57.50	200	0.10	—	—	—	—	"
AKZO C	Fl.130	214	7.80	609	12	6	16.50	Fl.136.50
AKZO P	Fl.140	65	6.70	43	7.50	130	10.80	"
AMRO C	Fl.90	144	1	—	—	—	—	Fl.96.60
AMRO P	Fl.100	36	3.50	53	5.80	40	8 B	"
GIST C	Fl.260	18	3.50 B	51	8.50	2	12 A	Fl.246
GIST P	Fl.240	89	5.90	30	7 B	—	—	"
HEIH C	Fl.230	40	2 A	222	3.60	—	—	Fl.212.20
HEIH P	Fl.180	18	0.80	230	3.10	—	—	"
HOOG C	Fl.75	802	2.80	244	5.80	28	8.60	Fl.74.70
HOOG P	Fl.80	58	3.30 B	—	—	—	—	"
KLM C	Fl.60	576	4.30	115	6.70 A	1	8	Fl.62.90
KLM P	Fl.55	233	5.50	23	4.90	18	5	"
NEDL C	Fl.200	184	8.50	110	13 A	10	17.50	Fl.205.70
NEDL P	Fl.200	62	3	10	8	12	15	"
NATN C	Fl.65	13	0.80 B	49	2.50	6	3.50	Fl.60.40
NATN P	Fl.80	10	2	54	3.60 B	—	—	"
PETR C	Fr.6500	8	300	48	620	—	—	Fr.6770
PETR P	Fr.6,500	—	—	17	150	—	—	"
PHIL C	Fl.55	580	2.70	868	4.70	26	6	Fl.56.80
PHIL P	Fl.55	672	1.30	27	2.30	14	6.50	"
RD C	Fl.180	988	1.70	302	6.50	88	7	Fl.170
RD P	Fl.170	1474	4	793	5.10 B	226	8	"
ROBE C	Fl.80	5	1	—	—	—	—	Fl.80
ROBE P	Fl.77.50	—	—	—	—	4	2.50	"
UNIL C	Fl.380	130	10	13	20.60	4	26	Fl.382.50
UNIL P	Fl.320	64	8	30	17	—	—	"

TOTAL VOLUME IN CONTRACTS: 87,181
A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*543)	500	67	65	—	5	13	—
	550	22	57	60	20	40	45
	600	3	16	24	60	78	73
Cons. Gold (*454)	420	52	37	60	3	10	20
	460	30	42	53	23	40	45
	500	12	22	32	60	70	75
	550	3	10	18	105	110	110
Courtaulds (*184)	140	45	50	53	1	1	1½
	160	26	31	34	2	3	6
	180	9	17	22	7	10	11
	200	4	9	11	20	22	24
Com. Union (*320)	300	25	34	—	2½	5	—
	320	15	20	25	6	14	13
	340	5	12	18	21	27	30
	360	8	11	10	41	45	48
Distillers (*463)	460	45	33	67	4	8	12
	500	22	35	47	25	33	38
	550	8	12	17	80	65	63
G.E.C. (*172)	140	36	42	—	1½	3	—
	160	20	28	36	4	6	9
	180	12	11	24	14	13	18
	200	4	1	—	60	38	—
Grand Met. (*361)	330	38	45	113	1	6	10
	360	22	50	42	11	20	26
	390	8	14	96	33	67	39
I.C.I. (*767)	600	145	160	157	1	1	7
	650	97	105	115	3	13	22
	700	50	57	57	12	60	40
	750	18	28	111	30	47	60
	800	6	—	—	72	—	—
Land Sec. (*300)	280	26	63	—	5	4	—
	300	13	22	11	0	12	16
	330	2	8	14	51	31	34
Marks & Sp. (*176)	140	38	44	—	1	2	—
	160	12	25	22	2	4½	8
	180	8	13	11	10	14	18
	200	2	7	10½	26	30	32
Shell Trans. (*633)	600	48	60	68	8	17	27
	650	20	30	47	28	38	45
	700	1	12	20	68	77	85
	750	1	6	—	118	187	—
Traf'gar Hse. (*350)	330	23	37	48	1	10	12
	360	12	21	31	11	20	22
	390	6	10½	17	42	42	43
	420	1	1	7	73	72	72
Option		**Feb.**	**May**	**Aug.**	**Feb.**	**May**	**Aug.**
BAT Inds (*300)	260	45	55	—	4	6	—
	280	33	43	50	8	15	18
	300	20	26	66	15	18	27
	330	4	10	—	38	42	—
Barclays (*449)	360	90	95	—	2	4	—
	390	60	70	—	5	8	—
	420	40	60	62	12	17	28
	460	18	27	40	28	67	45
Brit. Aero (*453)	390	75	82	—	1	3	—
	420	60	65	70	8	15	20
	460	30	45	62	28	30	57
	500	10	25	30	33	56	60
BritTelecom (*194)	160	36	—	—	0½	—	—
	180	17	23	58	4	8	2
	200	7	18	17	13	14	17
	220	1½	5	2	29	50	31
Imperial Gr. (*266)	220	54	58	55	1	1	1
	240	33	38	41	5	4	6
	260	22	27	60	6	11	12
	280	18	16	17	12	20	22
LASMO (*255)	220	38	43	32	10	14	19
	240	23	33	37	18	26	62
	260	13	22	28	53	38	42
	280	2	15	18	48	60	66
LONRHO (*123)	140	58	52	—	0½	1½	—
	160	58	52	41	0½	2¼	6
	180	20	33	25	5	9	12
	200	2½	18	15	13	20	21

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
P. & O. (*425)	360	77	—	—	1½	—	—
	390	47	52	—	3	3	—
	420	28	37	42	13	16	23
	460	14	20	26	35	42	45
Racal (*156)	130	40	46	—	1	3	—
	150	30	56	44	2	6	11
	140	22	26	34	7	13	13
	160	10	17	26	16	20	24
	180	6	2	15	28	32	33
	200	2	—	—	46	—	—
R.T.Z. (*514)	500	38	53	65	13	21	50
	550	18	28	38	43	32	67
	600	6	14	—	92	92	—
Vaal Reefs (*$52)	30	14½	16	—	2½	1	—
	50	8	11	14½	7	10½	12
	70	4½	7½	8½	12½	15	17
	80	1½	6	—	12½	22	—
Ex 10% 1989 (*£96)	96	0⅛	—	—	0¼	—	—
	98	0⅛	—	—	1⅛	—	—
	100	0⅛	—	—	3⅛	—	—
Tr. 11¾% 1991 (*£102)	102	—	1⅛	1⅝	—	0⅝	1
	104	—	0⅛	0⅞	—	1⅞	2½
	106	—	0⅛	0⅜	—	3⅝	5¼
Tr. 11¾% 03/07 (*£109)	108	8⅛	2⅛	—	0⅝	0⅞	—
	110	1⅛	1⅛	2⅛	1½	2¼	2½
	112	0⅝	1⅛	1⅛	3⅛	3⅝	3⅞
	114	0⅛	0⅝	0⅜	5⅛	[illegible]	5⅜
Option		**Dec.**	**Mar.**	**June**	**Dec.**	**Mar.**	**June**
BTR (*363)	330	11	—	—	4	—	—
	360	—	27	40	—	18	23
	375	4	—	—	16	—	—
	390	2	16	25	25	38	43
Beecham (*343)	300	42	53	70	1	6	18
	330	14	40	47	1	18	26
	360	1	20	—	25	36	—
	390	2	—	—	56	—	—
Bass (*656)	550	115	150	145	1	4	6
	600	65	80	95	1	8	13
	650	60	40	58	18	25	32
	700	4	80	25	48	36	58
De Beers (*$4.35)	420	30	80	80	3	16	30
	460	22	50	65	20	36	45
	500	8	36	42	60	60	65
	550	6	25	—	—	—	—
GKN (*256)	240	18	32	34	2	6	9
	260	6	18	22	11	18	22
	280	1	7	11	25	33	36
Glaxo (*1580)	1430	155	200	235	4	27	45
	1500	83	175	200	8	37	66
	1550	45	140	173	25	60	85
Hanson (*209)	180	31	37	44	1	4	7
	195	16	—	—	1	—	—
	200	—	24	30	—	2	12
	215	2	—	—	6	—	—
	220	—	14	17	—	20	22
	235	1	—	—	31	—	—
Jaguar (*318)	260	61	89	77	1	1½	3
	280	41	49	58	1	6	6
	300	22	67	43	3	13	15
	330	2	20	28	17	24	30
Thorn EMI (*407)	360	60	55	77	1½	6	8
	390	20	40	66	3	17	20
	420	4	20	32	20	52	37
Tesco (*283)	255	28	—	—	1	—	—
	260	—	40	45	—	8	8
	280	2	23	62	6	13	14
	300	1	16	20	18	24	30

Option		Calls Dec.	Calls Jan.	Calls Feb.	Calls Mar.	Puts Dec.	Puts Jan.	Puts Feb.	Puts Mar.
FT-SE Index (*1393)	1350	52	88	—	—	4	2	—	—
	1375	32	48	54	67	6	21	30	36
	1400	13	29	40	54	20	33	42	30
	1425	6	17	28	42	35	50	37	52
	1450	8	11	18	27	60	67	70	77
	1475	1	6	11	—	86	90	22	—

December 10 Total contracts 15,285 Calls 10,783 Puts 4,502
*Underlying security price

WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FRANCE / GERMANY / ITALY / NETHERLANDS / NORWAY / SPAIN / SWEDEN / SWITZERLAND / AUSTRALIA / HONG KONG / JAPAN / SINGAPORE / SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm December 10

[illegible]

Total Sales 2,428,453 shares

MONTREAL

Closing prices December 9

[illegible]

Indices

NEW YORK

[illegible]

Advances 812	Declines 804		

Philips Pet	2,757,500	11½	— ⅛
Tex Oil G	2,577,500	14⅛	—1
Sears Rbk	2,244,500	48⅜	+ ⅞
US Steel	1,855,700	24½	—1¼
Union Carb	1,726,500	64½	—1⅛
IBM	1,583,500	147⅞	+2⅝

TORONTO	Dec 10	Dec 9	Dec 6	Dec 5	1985 High	1985 Low
Metals & Minls	2,827.9*	2,821.3	1,982.2	2,808.5	2190.7 (13/2)	1748.82 (31/10)
Composite	2,854.3*	2,853.4	2,863.2	2,870.3	2884.8 (4/12)	2348.5 (8/1)
MONTREAL Portfolio	139.37*	139.71	139.07	139.75	139.76 (4/12)	117.90 (4/1)

* Indicates pre-close figure

	Dec. 10	Dec. 9	Dec. 6	Dec. 5	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	890.8	985.5	984.6	986.2	1052.2 (25/10)	718.5 (7/1)
Metals & Minls. (1/1/80)	479.0	484.9	491.2	482.8	583.8 (20/6)	482.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	116.80	115.55	115.45	115.91	121.95 (26/11)	58.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2875.81	2916.79	2944.41	2946.56	2966.36 (26/11)	2080.7 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	254.76	251.67	251.61	257.57 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	247.5	248.5	247.8	249.8	249.7 (29/11)	188.9 (3/1)
Ind Tendance (28/12/84)	145.5	142.1	145.1	144.0	144.6 (5/12)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	589.16	586.62	586.77	592.15	601.66 (22/11)	382.89 (3/1)
Commerzbank (1/12/53)	1739.1	1725.0	1726.0	1749.8	1781.4 (4/11)	1111.5 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1728.29	1726.27	1721.89	1693.91	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	434.30	435.73	441.90	446.54	446.54 (5/12)	228.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12850.6	12798.2	12793.56	12864.11	13056.5 (16/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1018.43	1010.85	1011.26	1015.51	1057.66 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	255.5	255.7	259.2	255.5	259.7 (20/11)	185.6 (6/1)
ANP-CBS Indust (1970)	216.6	216.1	217.9	215.8	215.6 (5/12)	147.6 (5/1)
NORWAY						
Oslo SE (4/1/83)	393.90	392.91	399.06	404.88	412.88 (12/11)	288.19 (2/1)
SINGAPORE						
Straits Times (1966)	649.14	646.48	651.22	609.54	852.65 (7/6)	609.54 (5/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1146.8	1182.8	1252.8	1277.1 (25/11)	828.3 (5/8)
JSE Indust (28/9/78)	—	1036.5	1044.1	1040.1	1049.2 (26/11)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	151.34	150.51	151.46	152.49	157.54 (21/11)	101.46 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1615.85	1611.75	1609.90	1605.64	1650.55 (2/12)	1285.32 (9/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	546.5	541.6	541.5	536.8	546.5 (10/12)	386.7 (9/1)
WORLD						
Capital Intl. (1/1/70)	—	244.0	246.6	245.7	245.7 (27/11)	184.6 (4/1)

** Saturday December 7: Japan Nikkei 12,790.9. TSE 1,010.37.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 37

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LONDON Chief price changes (In pence unless otherwise indicated)

RISES			FALLS		
Allied Coll	155	+13	Tr 10½ 1989	£98⅝	—7/16
BAT Ind	300	+17	Tr 12½ 2003/05	£115½	— ⅝
Brit Benzol	49	+ 9	Tr 2½ I L 20	£90¼	— ¾
G Dur & Mur	103	+12	Ashley (Laura)	183	— 9
GKN	257	+ 8	Boots	250	—13
ICI	734	+17	Brit Home St	392	—20
Jaguar	319	+ 7	Dixons Group	887	—37
Oceans Trans	199	+11	Freemans	346	—22
Pearson	428	+18	GUS A	859	—21
Sedgwick	355	+17	Latham (J)	265	—30
Spear (JW)	165	+13	McCarthy & St	260	—22
Tiphook	136	+ 6	Marks & Spenc	173	— 7
Trust Forte	160	+ 5	Pilkington	298	—10
Utd Bisc	250	+13	Sound Diff	24	— 6
Vickers	303	+13	Tricentrol	131	— 9

Prices at 3pm, December 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from Page 36

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
14	6½	WolvrW .24		2.8		292	12⅞	12¼	12¾	−⅜
60⅜	35¼	Wolwth 2		3.3	12	539	60	58½	60	+1½
6⅞	3⅜	WrldAr				13	4⅛	4⅛	4⅛	−⅛
94⅝	54⅛	Wrigly 1.60a		2.0	15	z218	91	90⅝	90⅝	−1¼
4¾	2⅞	Wurltzr				43	3¼	3⅛	3¼	+⅛
18	10⅝	WyleLb .32		2.1	65	186	15⅛	14¾	15	+¼
23⅜	15½	Wynns .60		3.8	13	z25	16½	16¼	16½	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
60½	38⅛	Xerox	3	5.0	21	3631	60⅝	59⅝	60⅝	+¾
56¾	46⅞	Xerox pf5.45		10.		42	54½	54¼	54½	−⅛
30¼	24⅝	ZaleCp 1.32		4.8	13	14	29⅛	28⅝	28⅝	−¼
17	7¼	Zapata .12		1.5	68	1369	8¼	8	8⅛	
61¼	32⅜	Zayre s .40		.8	17	554	58	57½	57⅝	
23	16¼	ZenithE			805	973	18½	18⅛	18⅛	−¼
21⅞	13¾	Zero s .32		1.8	17	479	20⅞	20⅜	20½	
41½	24¾	Zumiln 1.32		3.4	15	57	39⅜	38¼	38¼	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, December 10

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OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

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Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Sustained assault on high levels

ATTEMPTS at a further rally that would take the Dow Jones industrial average convincingly through the 1,500 level, proved unsustainable as the session progressed on Wall Street stock markets yesterday, *writes Michael Morgan in New York.*

The market mood remained firm, however, still buoyed by the outlook for lower oil prices and the prospects for the passage of budget balancing legislation.

Stocks opened firmer and the first calculation of the Dow after the first balf hour was marginally above the 1,500 level. Subsequent profit-taking pared the gains leaving the measure to trade narrowly around Monday's record close.

At the close the Dow Jones industrial average was up 2.18 at 1,499.20, a new record.

In the credit markets, prices of Treasury bonds were more than half a point higher – leaving yields at their lowest since 1979 – although analysts were split on whether Monday's coupon pass by the Fed was the first stage of an easing in policy that would culminate in a discount rate cut.

Federal funds opeoed at 7^{15}/₁₆ per cent and later eased to 7⅞ per cent.

Among the Treasury coupon issues, the price of the key long bond, the 9⅞ per cent of 2015, rose 1^{9}/₃₂ to 102⅔₂, while the 9½ per cent 10-year note rose ¹⁄₃₂ to 100⁷⁄₃₂.

In the money markets, the yield on the three-month Treasury bill was unchanged at 7.18 per cent, while the six-mooth bill, yielding 7.23 per cent was 2 basis points lower.

In the stock markets, oils were mostly in active trading with one analyst forecasting further downward pressure on the sector as it tries to assess the impact of the Opec meeting.

Phillips Petroleum was down $¾ at $11⅞, Exxon $¾ at $51⅛ and Atlantic Richfield $1¼ at $62⅞.

Texaco traded $⅝ lower at $30½ as it announced a defensive rights plan. Pennzoil was $1⅛ at $65¼ ahead of a judge's ruling expected later in the day oo a jury's $10.5bn award to Pennzoil in its suit against Texaco.

Airline stocks continued to benefit from the outlook for lower oil prices. UAL rose $1⅛ to $52⅞, NWA $1⅛ to $51⅞ and AMR $½ at $42⅞.

Among blue chips and technologies, IBM picked up $⅛ to trade at $144¾, General Electric added $¼ to $68⅞, Digital Equipment rose $¼ to $127⅞ but Cray Research traded $1¾ lower at $64⅞.

Honeywell rose $⅝ to $72⅞ after it signed a 10-year trade agreement with China to supply manufacturing technology for a range of equipment.

GAF Corp put on $2⅛ to $59¾ after Monday's $10 surge when it announced plans to make a tender offer for Union Carbide. Stock in Carbide shed $¼ to $66½ amid reports that it was considering various options including a counter-bid for GAF, a leveraged buyout or a frieodly merger.

RCA was $3⅞ ahead at $53⅞ in heavy trading amid market rumours that the company planned a restructuring. The company declined to comment on the activity in the stock.

Cyclops, the tool carboo and special steel group, rose $3½ to $55¾ as it reached agreement in principle to sell its steel and construction husiness.

Bristol-Myers, the pbarmaceuticals and toiletries group, traded down $½ at $64¼. It agreed to sell its Pelton & Crane subsidiary to Siemens Medical Systems on undisclosed terms.

Plessey of the UK, traded as American Depositary Receipts, fell $1¾ to $25¼ after the board unanimously rejected the takeover bid from General Electric of Britain.

PepsiCo was $⅞ higher at $71⅞ as it paid $590m for the soft drinks business of MEI Corp, a move that will give PepsiCo more control over its soft drinks business. MEI was $⅝ ahead at $38⅝.

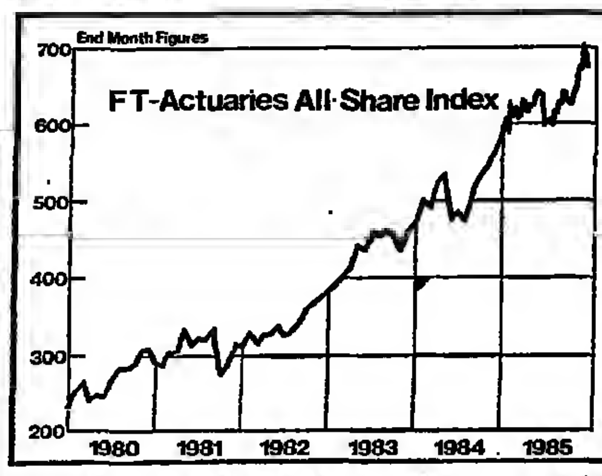
General Dynamics, considering a major acquisition outside the defence industry, was $¼ higher at $68.

Upjohn continued its decline, shedding another $2¾ to $128¾ after Monday's $6 fall. The decline has been attributed to competition from American Cyanamid on a drug that will promote hair growth. Cyanamid was $½ higher at $57⅞.

Alcoa traded $1⅜ higher at $38⅛ in continued reaction to its restructuring plans.

Among actively traded issues on the New York Stock Exchange, Sears Roebuck added $½ to $40, while on the American Stock Exchange, Wang Laboratories added $⅞ to $20⅞.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 10	Previous	Year ago
NEW YORK			
DJ Industrials	1,499.20	1,497.02	1,172.26
DJ Transport	705.52*	699.79	525.58
DJ Utilities	166.39*	165.78	143.77
S&P Composite	205.05*	204.25	162.83
LONDON			
FT Ord	1,115.7	1,115.4	930.1
FT-SE 100	1,389.5	1,392.2	1,197.9
FT-A All-share	673.49	674.75	574.96
FT-A 500	739.84	741.94	630.62
FT Gold mines	263.0	268.3	529.8
FT-A Long gilt	10.48	10.41	10.09
TOKYO			
Nikkei	12,850.95	12,798.23	11,316.9
Tokyo SE	1,018.43	1,101.08	874.9
AUSTRALIA			
All Ord.	980.8	985.8	724.2
Metals & Mins.	479.0	484.9	419.6
AUSTRIA			
Credit Aktien	115.80	115.33	58.89
BELGIUM			
Belgian SE	2,875.91	2,916.79	—
CANADA			
Toronto			
Metals & Minls	2,027.9*	2,021.8	1,857.0
Composite	2,854.3*	2,859.4	2,347.1
Montreal			
Portfolio	139.37*	139.71	116.59
DENMARK			
SE	n/a	234.70	167.31
FRANCE			
CAC Gen	247.8	246.3	181.7
Ind. Tendance	143.8	142.1	98.8
WEST GERMANY			
FAZ-Aktien	589.10	585.42	372.82
Commerzbank	1,739.1	1,725.0	1,087.0
HONG KONG			
Hang Seng	1,728.29	1,724.27	1,115.01
ITALY			
Banca Comm.	434.30	435.73	214.66
NETHERLANDS			
ANP-CBS Gen	236.5	236.7	178.1
ANP-CBS Ind	216.8	216.3	140.8
NORWAY			
Oslo SE	393.90	382.81	281.63
SINGAPORE			
Straits Times	649.14	649.49	821.63
SOUTH AFRICA			
JSE Golds	–	1,145.8	1,033.0
JSE Industrials	–	1,036.3	956.8
SPAIN			
Madrid SE	131.34	130.61	97.39
SWEDEN			
J & P	1,818.85	1,611.79	1,338.83
SWITZERLAND			
Swiss Bank Ind	546.3	541.9	386.0
WORLD	Dec 9	Prev	Year ago
Capital Int'l	244.8	244.6	183.4

COMMODITIES

(London)	Dec 10	Prev
Silver (spot fixing)	403.60p	409.35p
Copper (cash)	£964.25	£950.75
Coffee (Jan)	£2,023.50	£2,007.50
Oil (spot Arabian Light)	$n/a	$27.85

GOLD (per ounce)

	Dec 10	Prev
London	$318.25	$317.75
Zürich	$317.55	$317.65
Paris (fixing)	$313.75	$321.89
Luxembourg	$315.80	$320.25
New York (Feb)	$321.20	$319.80

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Dec 10	Previous	Dec 10	Previous
$	–	–	1.435	1.4585
DM	2.539	2.535	3.6425	3.6975
Yen	203.55	203.55	292.0	296.75
FFr	7.75	7.73	11.1225	11.275
SFr	2.118	2.117	3.04	3.0875
Guilder	2.859	2.851	4.1025	4.1575
Lira	1,725.5	1,721.5	2,476.0	2,510.75
BFr	51.7	51.55	74.2	75.2
C$	1.39725	1.39865	2.0103	2.0453

INTEREST RATES

	Dec 10	Prev
Euro-currencies (3-month offered rate)		
£	11⅞	11^{13}/₁₆
SFr	4⅜₁₆	4¼
DM	4⅞₁₆	4^{15}/₁₆
FFr	12¾	11½
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅜₁₆	8¼
6-month U.S.$	8⅜₁₆	8¼
U.S. Fed Funds	7^{15}/₁₆*	8
U.S. 3-month CDs	7.75*	7.90
U.S. 3-month T-bills	7.18*	7.19

U.S BONDS

Treasury		Dec 10* Price	Dec 10* Yield	Prev Price	Prev Yield
8½	1987	100^{19}/₃₂	8.216	100 ⁹⁄₃₂	8.34
9¾	1992	102^{23}/₃₂	9.181	101^{31}/₃₂	9.34
9½	1995	100^{25}/₃₂	9.361	100	9.49
9⅞	2015	102 ⁹⁄₃₂	9.65	100^{23}/₃₂	9.78

Treasury Index

Maturity (years)	Return index	Dec 10* Day's change	Yield	Day's change
1–30	135.37	+0.48	8.96	–0.08
1–10	132.55	+0.36	8.70	–0.08
1– 3	128.04	+0.17	8.27	–0.06
3– 5	134.36	+0.44	8.87	–0.10
15–30	145.48	+0.92	8.90	–0.07

Source: Merrill Lynch

Corporate	Dec 10* Price	Dec 10* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	9.90	101⅜	9.90
3⅞ July 1990	85¼	7.80	85	7.85
8¾ May 2000	88⅜	10.25	87⅞	10.50
Xerox				
10⅞ Mar 1993	102	10.15	101⅜	10.20
Diamond Shamrock				
10⅞ May 1993	100¼	10.60	100	10.625
Federated Dept Stores				
10⅞ May 2013	96⅜	11.00	95⅛	11.20
Abbot Lab				
11.80 Feb 2013	106.00	11.10	104½	11.30
Alcoa				
12¼ Dec 2012	104.00	11.75	103¼	11.85

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	83–09	83–16	82–25	82–16
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.87	92.92	92.86	92.87
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.18	92.21	92.16	92.14
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.90	91.94	91.87	91.85
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110–17	111–02	110–31	111–10

* *Latest available figures*

LONDON
Haunted by spectre of spot prices

UNEASE over the Cable & Wireless flotation and the spectre of lower oil prices continued to inhibit London yesterday.

Gilts were affected more than equities and selected longer maturities fell ⅞ ahead of December banking statistics but finally reduced their losses to ⅜. Sborts moved similarly.

Cable & Wireless, which on Monday edged below the underwritten price of 587p, ended down 2p at 590p.

Speculative activity encompassed only a handful of leading stocks, retailing issues took a knock while some secondary industrials were featured.

Despite favourable Wall Street indications, the FT-SE 100 ended 2.7 lower at 1,389.5 and the FT Ordinary share index firmed 0.3 to 1,115.70.

Chief price changes, Page 35; Details, Page 34; Share price information, Pages 32–33

SOUTH AFRICA

BARGAIN-bunting among gold issues lifted them from their lows for the day but they continued easier on a weak world bullioo price.

Vaal Reefs lost R5 to R210, Southvaal R2 to R98, Driefontein 50 cents to R49.50 and Buffels R1 to R80.25.

In mining financials, Anglo American shed 85 cents to R38.50 and in the industrial sector, Barlow Rand was off 50 cents at R13.

EUROPE
Airlines, oils and banks prominent

BANK, OIL AND AIRLINE issues featured strongly on the European bourses yesterday as corporate news mingled with the strong undercurrents of the Opec strategy plans agreed in Geneva.

Frankfurt was host to a plethora of corporate developments with banks firmly in the spotlight. The Commerzbank index rose 14.1 to 1,739.1.

BHF posted a healthy DM 9 rise to DM 495 ahead of the news that Union Bank of Switzerland – thougbt to be a suitor for the bank – had agreed the repurchase of Deutsche Länderbank from Dresdner Bank, which rose DM 1 to DM 343.50.

Deutscbe Bank, volatile since announcing its plans for Flick, recouped DM 8 to DM 718.50, while Daimler suffered a bruising DM 33 drop to DM 1,106 on concern that the placement of Flick's 10 per cent stake will place pressure on it.

Lufthansa beoefited from the prospects of a free-for-all in the oil market and its plans to set up a software and information technology joint venture in Berlin. The 79.9 per cent state-owned airline rose DM 8 to DM 218.

Boss, the male fashion group, announced its flotation price – DM 615 per DM 50 nominal share. A nominal DM 4.95m worth of non-voting preference shares are to be offered betweeo Friday and next Tuesday with trading expected to begin on December 20 in Frankfurt and Stuttgart.

The bond market was buoyed by overnight strength in US credit markets.

The Bundesbank sold a large DM 53.2m of paper after Monday's sales of DM 11.5m.

Profit-takers ran amok in an active Brussels, although some hargain hunters made token gestures of support. The Belgian Stock Exchange index fell a further 40.83 to 2,875.91.

Petrofina, hit by the Opec ruminations, lost a hefty BFr 230 to BFr 6,780 although Electrafina, the energy holding group, recovered from Monday's shakeout with a gain of BFr 180 to BFr 5,440. Utility Intercom recouped BFr 70 to BFr 2,900.

Tractiooel's dividend plans were swamped by the dismal sentiment of the session and it closed BFr 195 down at BFr 4,740.

Paris ended a two-day consolidation with foreign bargain bunters thick on the ground.

Esso fell FFr 48 to FFr 495 and Total-CFP extended recent losses with a further FFr 16 decline to FFr 279. Au Printemps put on FFr 20 to FFr 352, Galleries Lafayette recouped FFr 14 to FFr 750 and Carrefour managed a FFr 95 rise to FFr 2,820.

Internationals were manled in a bearish Amsterdam. Royal Dutch led the decline with its Fl 5.40 fall to Fl 170. Akzo shed 90 cents to Fl 135.50 after lodging its formal complaint with the European Commission against a ban on its sales of synthetic "super-fibres" in the US.

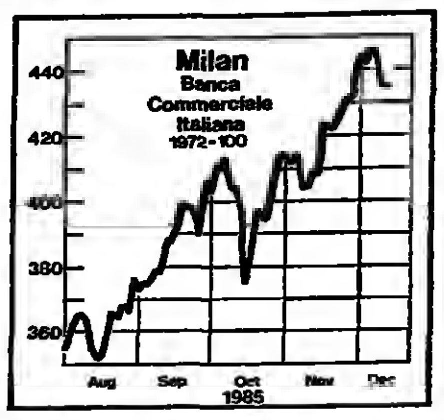
KLM shed 30 cents Fl 52.90 after an opening gain of 30 cents on its statement that it was considering the possibility of a share issue. Local newspaper reports cited the airline's intention of a one-for-three rights issues.

Zurich rose on firm foreign buying. Swissair picked up SFr 90 to SFr 1,660 on the prospects of cheaper fuel prices while UBS, having shown its hand as regards to West German banking, picked up SFr 10 to SFr 4,980. Ciba-Geigy merited a SFr 90 rise to SFr 3,640 after acquiring a licence to develop, register and market human gamma interferon in Europe and the US.

Book-squaring in **Milan** continued to cut trade althougb some gains were achieved. Fiat settled L2 higber at L5,320, Olivetti firmed L17 up at L7,997 and insurer Generali scored a L200 rally to L73,700. Heavy selling of bank issues was partly offset by a small recovery in financials, with Bastogi gaining L18 to L495.

Stockholm was mixed but sufficiently active to take the Veckans Affarer All-Share index to a high for the year. Buying focused oo Fermenta, down SKr 7 to SKr 193, and Ericsson, up SKr 8 to SKr 205.

Madrid firmed slightly.



AUSTRALIA

INVESTORS expecting a raid on BHP by Mr Robert Holmes à Court in Sydney yesterday were sorely disappointed wben it failed to materialise. Interest then evaporated, and prices fell across the board.

Lower world hullion prices hit the golds sector, and oils were pulled down by fears of a drop in the spot price.

BHP sbed 16 cents to A$8.24, and Santos dropped 10 cents to A$5.40 while in golds, both Kidston and Gold Mines of Kalgoorlie were 20 cents lower at A$5.30 and A$9.20 respectively.

HONG KONG

SMALL INVESTORS kept to the sidelines in Hong Kong as caution set in ahead of the visit by China's Director of Hong Kong and Macao Office, Ji Pengfei. After a late rally in properties, however, stocks ended mostly firmer.

Despite an early fall of 5.89, the Hang Seng index ended up 4.02 at 1,728.29.

Year-old rumours that Jardine may sell its stake in Hongkong Land continued to move the market. Hongkong Land gained 15 cents to HK$8.75, while Jardine closed unchanged at HK$13.70.

SINGAPORE

PROFIT-TAKING pared early gains in Singapore and prices ended generally lower. The Straits Times industrial index fell 0.35 to 243.81.

Nervousness continued over the trends in negotiations aimed at saving Pan-Electric Industries whicb went into receivership on November 30.

Banks ended mixed to lower with DBS up 15 cents at S$5.45, OCBC off 10 cents at S$7.85 and Malayan Banking 4 cents lower at S$4.88.

TOKYO
Utilities step back into the limelight

ENCOURAGED by the sharp gain on Wall Street and expectations of a drop in crude oil prices, investors sought utilities in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

But trading still centred on high-priced issues, such as Japan Air Lines (JAL) and incentive-backed stocks for immediate capital gains.

The Nikkei average advanced 52.72 to 12,850.95. Trading expanded from Monday's 190 shares to 290. Rises outpaced falls 439 to 355, with 158 issues unchanged.

Expecting profits from cheaper crude oil prices, investors purchased utilities, pushing up Tokyo Electric Power Y170 to Y2,470 and Tokyo Gas Y25 to Y293. Among oils, Arabian Oil jumped Y80 to Y3,850 and Toa Nenryo Kogyo Y50 to Y1,140.

Laggards among blue chips also drew buying, with Alps Electric adding Y70 to Y1,860. Ushio closed Y60 higher at Y1,250 and Pioneer Y50 up at Y1,760. Hitachi gained Y19 to Y740, hut NEC remained unchanged at Y1,320.

Among biotechnologies, Mitsubishi Chemical was placed second on the active list with 11.88m shares changing hands, finishing at Y525, up Y7. Nippon Oil and Fats went up Y3 to Y793 and Kuraray Y10 to Y1,510.

Janome Sewing Machine spurted Y27 to Y440 on the day's heaviest trading of 12.28m shares due to an expected increase in recurring profit for the business year ending in March and rumours of a capital tie-up with a foreign company. Fujikura and Japan Storage Battery rose Y11 to Y387 and Y27 to Y424, respectively.

JAL rose Y310 to Y7,900 and Nippon Television Network Y200 to Y9,900. TDK also gained Y150 and Y4,320, but Kokusai Densbin Denwa turned town, losing Y200 to Y26,650.

The bond market was animated reflecting a steep fall in US interest rates. The yield on the beochmark 8.8 per cent government bond due in December 1994 plunged to 6.055 per cent from Monday's 6.155 per cent.

Institutional investors and securities bouses believe that the US interest rate drop brougbt about by the expected crude oil markdown would lead to another US official discount rate cut by the eod of this year. But the buying force was not so strong as to push down the yield on the barometer issue below 6 per cent, and bond prices are expected to see-saw for the time being.

CANADA

ENERGY and gold issues fell during trading in Toronto yesterday while banks and industrials moved higher, encouraged by the prospect of lower oil prices.

In golds, Lac Minerals traded C$⅜ lower at C$35, Dome Mines C$½ to C$12½ and against the trend Campbell Red Lake added C$⅛ to C$31¼.

Dome Petroleum shed 5 cents to C$3.10, Husky Oil lost C$¼ at C$9⅜ while Alcan Aluminium traded C$½ higher at C$39⅞.

DUTCH CAPITAL MARKETS LIBERALISATION
Amsterdam aims to stay in the big league

LIBERALISATION of the Dutch capital markets next year looks like starting slowly as banks adjust to an array of new financial instruments, *writes Laura Raun in Amsterdam.*

Bankers along Amsterdam's Herengracht feel it will take time to develop the accoutrements of a more sophisticated market – rating agencies, plenty of johbers and an interbank offered rate. They are cautious, but are still determined to attract fresb capital and new players, especially from abroad, in a bid to establish Amsterdam as a serious rival to Zurich and Frankfurt.

The deregulation package that takes effect on January 1 will allow floating-rate notes (FRNs), hullet bonds, commercial paper and certificates of deposit (CDs). Borrowers will gain much greater freedom to determine wben they want to tap the market and foreign hanks will be allowed to operate on an almost equal footing with domestic banks.

Amsterdam bas long been known as a sophisticated money ceotre, but that reputation has been earned less through the complexity than through the openness of its financial markets. Tha Dutch already boast the most liquid bond market on the European cootinent, thanks to orderly securities trading, the strong guilder and free capital flows – loans and deposits are allowed in any currency.

The current liberalisation drive is designed to keep Amsterdam abreast of the rapid changes sweeping through the major European financial centres.

Mr Robertus Hazelhoff, the new chairman of Algemene Bank Nederland (ABN), the Netherlands' largest, said recently that his bank is "not in a big hurry." Mr Lode Beckers, general manager of Citibank in the Netherlands, added that "we're going to be active but we're not going to be wild."

Mr Beckers also played down the threat of heightened competition between foreign and domestic banks, saying Citibank was not planning a "frontal assault." US and UK banks, in particular, have much hroader experience in innovative financing and may be able to bring that expertise to bear in Amsterdam.

The consensus in banking circles is that FRNs and bullet bonds will make their dehut first because of their relative similarity to notes and bonds already offered. Until now, all bonds exept convertibles have been of a serial kind in which redemption is made in successive annual instalments toward the end of the issue's lifetime.

Bullet bonds are redeemed in one lump sum at maturity and thus can offer more certainty than serial bonds whose holders are chosen by lottery to receive their principal. Not knowing wben a large amount of money may arrive and then having to decide how to reinvest it are uncertainties that many Dutch investors feel they can live without.

Bullets also can be sborter – four or five years' maturity – than serials, which require several extra years just to redeem. The accelerating trend toward shorter paper could draw fresh corporate as well as sovereign borrowers.

FRNs are also expected to meet a warm reception in line with their growing success in London in recent years. Shorter-term paper has been relatively scarce in the Netherlands largely because of the Dutcb Government's overwbelming dominance in the capital markets. State boods, which account for 80 per cent of the new issues each year, bave shrunk in duration to an average of 7½ years recently, but there is plenty of room left for shorter paper.

West Germany's introduction of FRNs last May also could spark demand for guilder FRNs, which should carry a small premium over their D-Mark counterparts. Dutch interest rates are historically slighter higher than West German ones while moving in tandem.

Following later will be commercial paper and CDs, which venture into uncharted territory. For one thing, observed Mr Hazelhoff, Amsterdam lacks a rating agency to evaluate borrowers in the way Moody's and Standard & Poor's do in the US. Ratings are particularly crucial in commercial paper markets.

Mr Beckers, who has banking experience in New York, London and Paris, emphasised the need for a healthy secondary market in which the new securities can flourish. That means a sufficient number of professional jobbers willing to make a market and provide the necessary liquidity, especially for block trades. "You need people wbo will do more than just give you a block quote when asked," he explained.

Meanwhile, foreign banks will be able to lead-manage issuing syndicates and underwrite as much as one third of an issue up from the previous ceiling of one fifth. Japanese banks, however, will apparently be denied the new privileges unless Tokyo allows Dutch banks similar rights in the Japanese capital markets.

Mr H. Onno Ruding, the Dutch Finance Minister, explained during the November announcement of the liberalisation measures that reciprocity was expected from other countries and that Japan bad not responded in kind. If the West German banks succeed in current efforts to gain access to Japan's financial markets, it could pave the way for a similar entry by Dutch banks.

The domestic guilder bond and Euroguilder note markets will also be made more receptive to foreign borrowers. The former ceilings of Fl 400m per bond issue and Fl 100m to Fl 150m per Euronote issue will be scrapped. Moreover, foreign borrowers in the domestic market will not immediately have to convert the guilders into their home currency, suggesting that the Dutch authorities are now willing to allow greater international use of the guilder.

The Dutch central bank will also significantly relax its rigidly controlled issue calendar, which has previously meant that all borrowers have had to wait their turn to tap the market. If market conditions were bad and a borrower decided to forgo its turn, it then dropped to the bottom of the list.

Mr Wim Duisenberg, president of the central bank, explained recently that issuers would still have to notify the central bank of an offering but that their wishes would be considered in granting permission. Hardly any waiting time would result, he assured the market. As in the past issues smaller than Fl 50m will need no green light from the eentral bank.

As a guideline for the clnster of new instruments, an official Amsterdam interbank offered rate (Aibor), is expected to emanate from what now is a "gentleman's agreement" system. An Aibor (short-term, domestic guilder deposit rates) would act not only as an interest-rate marker but would also add prestige.

Only a couple of financial instruments still remain off limits, zero coupoo bonds and index-linked bonds. Mr Ruding is devising the tax treatment for zero coupon bonds but be seems unlikely to grant the advantages that gave rise to such bonds in the US.

Index-linked bonds are firmly ruled out as too inflationary for Dutch economic managers.